

**Fiscal Year 2018 President's Budget
Defense Contract Audit Agency (DCAA)**



May 2017

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**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2018 President's Budget**

**Operation and Maintenance, Defense-Wide Summary (\$ in thousands)
Budget Activity (BA) 4: Administrative and Service-wide Activities**

	FY 2016 <u>Actual</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2017 <u>Estimate</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2018 <u>Estimate</u>
DCAA	587,048	10,467	-15,567	581,948	11,042	4,846	597,836

* The FY 2016 Actual column includes \$14,076.0 thousand of FY 2016 Overseas Contingency Operations (OCO) Appropriations Funding (PL 114-113).

* The FY 2017 Estimate column excludes \$13,436.0 thousand of FY 2017 OCO Appropriations Funding.

* The FY 2018 Estimate column excludes \$9,853.0 thousand of FY 2018 OCO Appropriations funding.

I. Description of Operations Financed: (www.dcaa.mil) The Defense Contract Audit Agency (DCAA) provides audit and financial advisory services to the Department of Defense (DoD) and other federal entities responsible for acquisition and contract administration. DCAA's role in the financial oversight of government contracts is critical to ensure DoD gets the best value for every dollar spent on defense contracting. DCAA operates under the authority, direction, and control of the Under Secretary of Defense (Comptroller)/Chief Financial Officer. Its work benefits our men and women in uniform and the American taxpayer.

The Agency's primary function is to conduct contract audits and related financial advisory services. Contract audits are independent, professional examinations of financial representations made by defense contractors. Specifically, DCAA helps determine whether contract costs are allowable, allocable, and reasonable. DCAA conducts audits in accordance with Generally Accepted Government Auditing Standards (GAGAS), a set of standards that ensures that audit conclusions are well supported by evidence. The type and extent of DCAA's audit work varies based on the type of contract awarded, but its audit services are generally limited to acquisitions under Federal Acquisition Regulation Part 15 (Contracting by Negotiation). DCAA audits only contractors; it has no internal audit responsibilities within DoD.

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I. Description of Operations Financed (cont.)

DCAA auditors examine contractor accounts, records, and business systems to evaluate whether contractor business practices and procedures are in compliance with the Federal Acquisition Regulation (FAR), the Defense Federal Acquisition Regulation Supplement (DFARS), Cost Accounting Standards (CAS), and other applicable government laws and regulations. DCAA has no direct role in determining which companies are awarded defense contracts; rather, it provides recommendations to government officials on contractor cost assertions regarding specific products and services. With these recommendations, contracting officers are better able to negotiate prices and settle contracts for major weapons systems, services, and supplies. In a typical year, DCAA audits around 3,000 contractors, examines about \$200 billion in contract costs, and issues about 4,000 audit reports.

In FY 2018, the DCAA's primary focus will be to maintain an incurred cost inventory at 18 months or less on average. Additionally, DCAA will continue to meet DoD's other mission critical audit needs. Maintaining the incurred cost inventory at an acceptable level is necessary to (1) assist in achieving auditable financial statements, a Secretary of Defense priority; (2) assist the Department in closing completed contracts; and (3) prevent undue delays in payments of fees to contractors (a portion of fees to contractors is delayed until the contract is closed). In addition to maintaining the incurred cost inventory at an acceptable level, other mission critical audit needs include oversight of contractor billings; audits of direct labor and materials as they are incurred; audits of contractor business systems; audits of contractor disclosure statements and accounting practices for compliance with Cost Accounting Standards (CAS); and post-award audits of contracts for compliance with Truth in Negotiations (TiN).

DCAA's FY 2016 Financial Statements received an unmodified opinion from independent public auditors. DCAA has maintained an unmodified audit opinion since FY 2000.

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I. Description of Operations Financed (cont.)

The DCAA continues to return savings to the Government that far exceed the cost of its operations. In FY 2016, the Agency audited over \$221 billion of costs incurred on contracts and issued about 875 forward pricing proposal audit reports amounting to about \$63.4 billion. Approximately \$3.6 billion in net savings were reported because of the audit findings. The return on taxpayers' investment is approximately \$5.70 for each dollar invested in the Agency (\$634 million in FY 2016, including reimbursables).

DCAA's workload and associated staffing levels follow the DoD procurement funding levels. However, there is a time lag for the DoD audit workload to decrease because of contract execution and closeout. The DCAA contract audit workload is divided into the major functional categories described below:

1. **Forward Pricing Effort.** The Federal Acquisition Regulation (FAR) and Public Law 100-679, Cost Accounting Standards (CAS), require DoD procurement officials to comply with various administrative procedures before entering into contracts. These procedures include obtaining pertinent accounting and financial advice before making decisions related to prospective contract prices. The ultimate goal of the forward pricing audit effort is to assist contracting officers in determining and negotiating fair and reasonable prices for goods and services. DCAA furnishes pre-award services to contracting officers including:

a. Price Proposal Audits. The DCAA performs these examinations to determine the reasonableness of contractors' price proposals submitted in anticipation of negotiating Government contracts. Contracting officers request these audits, which must be accomplished within a short period to avoid delaying the procurement process. The DCAA

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I. Description of Operations Financed (cont.)

has no control over the number or timing of price proposal audits and must respond to each audit request as a top priority.

b. Forward Pricing Rate Proposal Audits. The DCAA performs these examinations to determine the reasonableness of projected labor, overhead, and other indirect expense rates submitted by a contractor prior to submission of price proposals. Normally a contracting officer negotiates these rates separately; the contractor then uses the rates in subsequent price proposals.

c. Agreed Upon Procedures. Applications of agreed-upon procedures include specific procedures performed in support of a contracting officer's cost realism analysis and reviews of data other than certified cost or pricing data submitted in support of a price proposal. DCAA provides these services to meet the specific needs of contracting officers.

d. Estimating System Audits. The DCAA performs these examinations to determine the contractors' compliance with the system criteria for an acceptable estimating system as prescribed in DFARS 252.215-7002, Cost Estimating System Requirements. DCAA also recommends corrective actions on conditions causing deficiencies disclosed in price proposal evaluations or other audit areas which require immediate reporting and resolution. This category also includes the effort required to determine the status of corrective actions taken by contractors on previously disclosed deficiencies.

e. Responses to Requests for Specific Cost Information. This effort includes providing specific cost information to procurement officials on labor rates, overhead rates, and similar factors for smaller procurements when information is readily available within DCAA's files.

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I. Description of Operations Financed (cont.)

2. **Incurred Cost Effort.** The FAR requires DCAA to perform audits of claimed costs incurred and submitted by contractors for reimbursement under cost reimbursable, fixed price incentive, and other types of flexibly priced contracts to determine if the costs are acceptable in accordance with contract terms, FAR, and CAS rules and regulations, if applicable. The scheduling of incurred cost audits and CAS compliance audits is more flexible than customer requested audits; nonetheless, these audits must be accomplished for the Government to make final payment to the contractor. The incurred cost effort includes examinations of direct labor and material costs and indirect expenses. It also provides insight on the function of the contractor business systems and related internal controls. Although the primary purpose of incurred cost audits is to express an opinion on the acceptability of costs claimed under Government contracts, knowledge of contractors' accounting and other business systems gained during these audits is helpful to the evaluation of contractors' price proposals.

In FY 2018, DCAA's emphasis will be on maintaining the incurred cost inventory at a level not to exceed 18 months on average, and resuming the previously curtailed activities at a level necessary to address the risk of the Government paying contractors unallowable, unallocable or unreasonable costs.

3. **Operations Audits.** DCAA performs a variety of economy and efficiency audits of contractor operations. DCAA operations audits are systematic reviews of contractor organizational units and functions to evaluate the reasonableness of methods and practices employed on Government contracts.

4. **Special Audits.** The contracting officer normally requests audits that include examinations of termination claims, progress payment requests, and equitable adjustment

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I. Description of Operations Financed (cont.)

claims. They must be accomplished within a short period to avoid adverse effects such as additional claims for interest on amounts due. The special audits category also includes accounting system audits that DCAA performs for procurement contracting offices prior to contract award or during contract performance, and other efforts requested by the contracting officers. DCAA has little control over the number or the timing of these audits and must respond to all such requests as a priority.

5. **Postaward Audits.** Truth in Negotiations (TiN) (10 USC §2306a) requires contracting officers to obtain certified cost or pricing data from contractors before awarding a contract unless an exception applies. Under TiN, the Government has the right to examine records to ensure that certified cost or pricing data is accurate, current and complete. DCAA is responsible for performing these audits, which assist in determining whether a contract or subcontract price was unduly increased because the contractor failed to furnish accurate, complete, or current certified cost or pricing information in negotiating a contract.

6. **Cost Accounting Standards (CAS).** Contracts and subcontracts that do not qualify for an exemption are subject to CAS coverage as a condition of Government contracting. The FAR assigns DCAA responsibility for examining contractors' implementation and compliance with the CAS rules and regulations.

7. **Other Direct Audit Efforts.** Other audit-related activities include providing on-site assistance to procurement and contract administration offices, contract audit coordinator programs, and negotiation support. This activity includes effort related to Congressional, Government Accountability Office (GAO), DoD Inspector General (DoDIG), and other external requests, surveys, and reports. The major functions are:

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I. Description of Operations Financed (cont.)

a. Financial Liaison. DCAA maintains liaison advisors, as appropriate, at major procuring and contract administration offices. The primary functions of financial liaison advisors are to: (i) facilitate effective communication and coordination between procurement officers and auditors; (ii) provide DCAA management with information regarding specific awards, trends in type and volume of awards, and other data impacting immediate or long range DCAA responsibilities; and (iii) provide DCAA management with information on the adequacy, responsiveness and timeliness of audit services rendered to procurement and contract administration offices.

b. Corporate Audit Directorate. DCAA extended the success of its Contract Audit Coordinator (CAC) program into a Corporate Audit Directorate (CAD) program. Our experience over the last several years with the CAC program has built a compelling case for this change, and we continue to see significant improvements in efficiency, communication, collaboration, and customer service throughout our existing organizations. We now have seven of the largest contractors organized into four CADs whose accounting functions, operations, and contract performance occur at multiple locations under the audit cognizance of multiple DCAA field offices, but are now under one DCAA management hierarchy. The program enables effective communications and audit coordination at these contractor locations allowing information to be effectively disseminated, problem areas to be monitored to ensure uniform resolution, and enables coordination with other DCAA personnel, contractor representatives, and cognizant procurement officials on issues affecting multiple locations.

c. Negotiation Conferences. A fundamental requirement of DCAA's mission is to provide contract audit services and to be the principal accounting and financial advisor to contracting officials. Many times, audit results involve complex accounting issues

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I. Description of Operations Financed (cont.)

and quantitative analyses that dispute contractors' cost estimates or representations. On these occasions, the best interests of the Government are served by having auditors present at negotiations to further explain the audit position, perform analyses of additional contractor data presented at the negotiation table, and provide any other accounting and financial assistance the contracting officer may require during the negotiation process.

d. External Audit Interface. DCAA develops information and comments on reports from the GAO, DoD IG, and other government Inspector General offices. This activity also includes effort related to discussions and conferences, and any interface involving any other government audit organization.

e. Suspected Irregular Conduct (SIC). This activity represents effort expended related to SIC referrals, and responses to requests from investigative agencies or the Department of Justice regarding fraud or other irregular practices. The DCAA also develops evidence for the U.S. attorney, grand jury, and for use at trial.

f. Audit Support and Planning. DCAA field offices prepare annual audit program plans for the upcoming year and work on projects and studies requested by the regions or Headquarters. Projects normally relate to new and innovative ways of performing DCAA's audit mission, and add to the body of knowledge needed to enhance Agency mission accomplishment through the development and application of improved audit management technology and audit techniques.

8. **Field Support**. This category includes support personnel in the four regional offices, four CADs, the Information Technology Division, and Technical Audit Services Division.

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I. Description of Operations Financed (cont.)

a. Regional Offices and CADs. These offices provide technical audit management and supervision to field office personnel.

b. Defense Contract Audit Institute (DCAI). DCAI develops and delivers training for approximately 4,500 contract auditors and is an affiliated member of the Defense Acquisition University. DCAI directs and controls the development and delivery of classroom courses, seminars, computer-based self-study courses, and internet-based, instructor-led courses. DCAI has program management responsibility for training and career development in DCAA. It assures that programs of instruction, courses, and training materials meet DoD standards, GAGAS, and National Association of State Boards of Accountancy (NASBA) standards. DCAI provides training and education policy guidance, and provides overall monitoring and evaluation of Agency training not conducted by the Institute. DCAI ensures training materials are up-to-date and develops new courses when required by the changing audit environment. Training programs provided by DCAI include audit, leadership, and supervisory management education.

c. Information Technology Division (OIT). OIT is responsible for the design, development, and maintenance of Agency-specific automated information systems (AIS), web applications, and audit software. It employs a computer hardware acquisition strategy/plan to satisfy AIS and personal computing requirements. It is also responsible for operating the Agency-wide communications infrastructure, monitoring network performance, managing DCAA's information assurance program, and establishing and implementing policy and standards for IT systems and services.

d. Technical Audit Services Division (OTS). OTS conducts research and distributes information to the field on operations audits, quantitative audit techniques, computer

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I. Description of Operations Financed (cont.)

assisted audit techniques, and other auditing topics that have Agency-wide application. OTS also provides technical assistance to auditors in planning reviews of contractor's electronic data processing systems and engineering operations and supports field offices in the implementation of DoD electronic commerce initiatives.

e. Field Administrative Support. These personnel provide clerical, administrative, and resource management services.

9. **Headquarters**. The DCAA Headquarters performs the work normally associated with the central office of a professional public organization. It develops policy and promulgates instructions and operating directives needed to perform the Agency mission. It performs oversight reviews of regional and field office operations and audit quality, and provides Regions and CADs with resource management services including human capital, administration, and financial management. It also includes the General Counsel which provides legal advice regarding contracts, ethics, and personnel issues. Headquarters personnel interface with other DoD components, other Government agencies, and Congressional committees.

II. Force Structure Summary:
Not Applicable.

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III. Financial Summary (\$ in thousands)

	FY 2016 <u>Actual</u>	Budget <u>Request</u>	FY 2017 <u>Congressional Action</u>			Current <u>Estimate</u>	FY 2018 <u>Estimate</u>
			<u>Amount</u>	<u>Percent</u>	<u>Appropriated</u>		
A. BA Subactivities							
1. Audit Institute	8,079	9,601	0	0.0	0	9,601	9,787
DCAA Communications	8	9	0	0.0	0	9	9
DCAA Operations	8,071	9,592	0	0.0	0	9,592	9,778
2. Audit Operations	578,969	572,347	0	0.0	0	572,347	588,049
DCAA Communications	5,947	9,755	0	0.0	0	9,755	10,135
DCAA Major Headquarters	30,527	49,362	0	0.0	0	49,362	43,787
DCAA Operations	542,495	513,230	0	0.0	0	513,230	534,127
Total	587,048	581,948	0	0.0	0	581,948	597,836

* The FY 2016 Actual column includes \$14,076.0 thousand of FY 2016 Overseas Contingency Operations (OCO) Appropriations Funding (PL 114-113).

* The FY 2017 Estimate column excludes \$13,436.0 thousand of FY 2017 OCO Appropriations Funding.

* The FY 2018 Estimate column excludes \$9,853.0 thousand of FY 2018 OCO Appropriations funding.

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III. Financial Summary (\$ in thousands)

B. <u>Reconciliation Summary</u>	Change	Change
	<u>FY 2017/FY 2017</u>	<u>FY 2017/FY 2018</u>
Baseline Funding	581,948	581,948
Congressional Adjustments (Distributed)		
Congressional Adjustments (Undistributed)		
Adjustments to Meet Congressional Intent		
Congressional Adjustments (General Provisions)		
Subtotal Appropriated Amount	581,948	
Fact-of-Life Changes (2017 to 2017 Only)		
Subtotal Baseline Funding	581,948	
Supplemental	13,436	
Reprogrammings		
Price Changes		11,042
Functional Transfers		
Program Changes		4,846
Current Estimate	595,384	597,836
Less: Wartime Supplemental	-13,436	
Normalized Current Estimate	581,948	

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III. Financial Summary (\$ in thousands)

<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
FY 2017 President's Budget Request (Amended, if applicable)		581,948
1. Congressional Adjustments		
a. Distributed Adjustments		
b. Undistributed Adjustments		
c. Adjustments to Meet Congressional Intent		
d. General Provisions		
FY 2017 Appropriated Amount		581,948
2. War-Related and Disaster Supplemental Appropriations		13,436
a. OCO Supplemental Funding		
1) FY 2017 Defense-Wide Overseas Contingency Operations	13,436	
3. Fact-of-Life Changes		
FY 2017 Baseline Funding		595,384
4. Reprogrammings (Requiring 1415 Actions)		
Revised FY 2017 Estimate		595,384
5. Less: Item 2, War-Related and Disaster Supplemental Appropriations and Item 4, Reprogrammings		-13,436
FY 2017 Normalized Current Estimate		581,948
6. Price Change		11,042
7. Functional Transfers		
8. Program Increases		13,372
a. Annualization of New FY 2017 Program		
b. One-Time FY 2018 Increases		
c. Program Growth in FY 2018		
1) Equipment Maintenance by Contract	3,889	
Increase due to an increased level of effort associated with the FY 2018 Defense Agencies Initiative (DAI) conversion and projected costs associated with the DCAA's transition to an email enterprise system. (FY 2017 Baseline: \$6,422		

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<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
thousand; +0 FTEs)		
2) Equipment Purchases Increase due to furniture costs associated with scheduled facilities renovations. (FY 2017 Baseline: \$2,355 thousand; +0 FTEs)	3,160	
3) Purchased Communications Increase due to additional costs to implement and maintain enterprise mobility management on all electronic communication devices. Increase also resulted from increased rates through Department Information Technology and Contracting Organization (DITCO) associated with long distance services as well as higher rates for regional commercial communication. Additionally, increase associated with the transfer of costs from Other Intra-Government Purchases associated with telecommunication structure. (FY 2017 Baseline: \$9,764 thousand; +0 FTEs)	3,152	
4) DFAS Financial Operation Increase based on DFAS rate increases and required operation and support services under DCAA's new enterprise resource planning (ERP) system, DAI. DCAA transitions to DAI starting in FY 2018. (FY 2017 Baseline: \$4,723 thousand; +0 FTEs)	1,503	
5) Supplies & Materials Increased supplies and materials cost per FTE based on historical execution. (FY 2017 Baseline: \$197 thousand; +0 FTEs)	871	
6) Facilities Sustainment, Restoration & Modification	644	

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C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
Increase associated with scheduled facilities renovations. (FY 2017 Baseline: \$979 thousand; +0 FTEs)		
7) Disability Compensation Increase due to historical execution of Worker's Compensation. (FY 2017 Baseline: \$1,816 thousand; +0 FTEs)	91	
8) Purchased Utilities Increase due to additional regional utilities requirements. (FY 2017 Baseline: \$80 thousand; +0 FTEs)	40	
9) Other Services Increase due to additional training costs. (FY 2017 Baseline: \$2,689 thousand; +0 FTEs)	22	
9. Program Decreases		-8,526
a. Annualization of FY 2017 Program Decreases		
b. One-Time FY 2017 Increases		
1) Purchased Communications Increased costs due to Networx long distance services contract transition cost. The increase will cover a one-time cost during the transition time, as DCAA will be running two systems (Networx and the FTS 2001 contract with Sprint). (FY 2017 Baseline: \$9,764 thousand; +0 FTEs)	-2,967	
2) DFAS Financial Operations Increase based on operations and support services for the ERP systems migration. During the transition to DAI, DBMS (Defense Business Management System) will still be in use. Since we are the last man standing,	-761	

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C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
DCAA will take on all DBMS cost plus additional costs tagged on by the DAI Program office at DFAS for the transition (one-time cost). (FY 2017 Baseline: \$4,723 thousand; +0 FTEs)		
c. Program Decreases in FY 2018		
1) IT Contract Support Services	-1,731	
Consolidation of network and help desk support contracts yields efficiency in IT contract costs. This also includes a \$400 thousand SRRB reduction. (FY 2017 Baseline: \$9,145 thousand; +0 FTEs)		
2) PCS Benefits	-832	
Decreased PCS travel associated with projected requirements. (FY 2017 Baseline: \$2,383 thousand; +0 FTEs)		
3) Personnel Compensation	-751	
Decrease due to a reduction of 11 FTEs. (FY 2017 Baseline: \$497,240 thousand; -11 FTEs)		
4) Commercial Transport	-671	
Decreased PCS requirements associated with projected requirements. (FY 2017 Baseline: \$2,719 thousand; +0 FTEs)		
5) Rental Payments to GSA	-289	
Reduction due to realignment of GSA leased space into military and federal facilities. (FY 2017 Baseline: \$14,435 thousand; +0 FTEs)		
6) Other Intra-Government Purchases	-257	
Decrease due to the transfer of costs to Purchased Communications associated with telecommunication infrastructure as well as a reduction to printer		

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<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
support and maintenance costs. (FY 2017 Baseline: \$11,406 thousand; +0 FTEs)		
7) Travel	-194	
Decrease associated with the reduction of 11 FTEs. (FY 2017 Baseline: \$13,186 thousand; +0 FTEs)		
8) Non GSA Rents	-73	
Decreased rental costs due to a decrease in space requirements in the National Capital Region. (FY 2017 Baseline: \$2,334 thousand; +0 FTEs)		
FY 2018 Budget Request		597,836

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IV. Performance Criteria and Evaluation Summary:

DCAA's goal is to provide quality audit services performed in accordance with Generally Accepted Government Auditing Standards. The DCAA has developed audit performance measures which assess the quality of the audits, the timeliness of the audit services, and the efficient and effective use of budgetary resources.

Performance Based Measures

Overview. As a single mission organization, DCAA is chartered with the responsibility of providing a wide range of audit and financial advisory services supporting the negotiation, administration, and settlement of contracts for Government contracting officers. By virtue of this mission, DCAA must retain a cadre of trained, highly competent and professional employees. In a typical year, labor and related fringe benefits account for approximately 86 percent of DCAA's budget. Statutory and regulatory requirements, designed to ensure that the Government meets its fiduciary responsibilities to the public, drive the majority of DCAA's workload. In this capacity, DCAA supports the oversight and internal control responsibilities of the Office of the Secretary of Defense, the DoD Inspector General, the Government Accountability Office, and the Congress.

The DCAA performs audits primarily for contracting officers in the Departments of the Army, the Navy, and the Air Force, and the Defense Contract Management Agency. Audit services provided by DCAA are key to making contract decisions; they help contracting officers ensure that DoD components obtain the best value from the goods and services they purchase.

DCAA's Strategic Plan. DCAA's current Strategic Plan was issued in April 2016. To address key challenges and fulfill its mission, DCAA uses a strategic planning approach which aims to achieve DCAA's Vision through its pursuit of several goals to be accomplished within a

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IV. Performance Criteria and Evaluation Summary:

5-year timeframe. DCAA also has a Human Capital Plan which tiers from the Strategic Plan and addresses strategies related to recruitment, on boarding, employee development, retention and succession planning.

DCAA Mission

As a key member of the government acquisition team, we are dedicated stewards of taxpayer dollars who deliver high quality contract audits and services to ensure that warfighters get what they need at fair and reasonable prices. Our mission statement clarifies our commitment to getting the most value for every dollar spent on defense contracts. We operate as a member of the acquisition community that works together to equip and serve our service members in uniform. As stewards who look out for taxpayers' interests, we conduct high quality contract audit services to ensure that the government is paying fair prices for what it buys.

DCAA Vision

Every audit or service we deliver is on time, on point, and highly valued. Our vision is to provide products and services that are indispensable to the acquisition process. We aspire to always deliver services and products when we promise them and in time to meet acquisition requirements. We strive to deliver the right service, at the right time, to provide the most value throughout the contracting cycle.

DCAA Strategic Plan Goals

Goal 1: Embody a culture of One Agency, one team, one direction.

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IV. Performance Criteria and Evaluation Summary:

Goal 2: Support the acquisition community by providing quality audits and advisory services.

Goal 3: Foster a diverse workforce of highly motivated and valued professionals.

Goal 4: Enhance working relationships with DCAA external stakeholders.

Goal 5: Provide the workforce with the right information, business processes, and capabilities to successfully accomplish the mission.

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IV. Performance Criteria and Evaluation Summary:

Summary of Performance Based Measures. The chart below summarizes our Audit Performance Measures. DCAA continues to reassess its performance measures to develop measurements that more closely align with the Strategic Plan. As a result, the audit performance measures discussed below are expected to change for FY 2018, and accordingly, objectives for that year have not been provided. Detailed descriptions are provided for each of the FY 2016 and FY 2017 measures.

	<u>Audit Performance Measures</u>	<u>FY 2016 Actual</u>	<u>FY 2017 Objective</u>	<u>FY 2018 Objective</u>
	<u>Workforce Environment Measures:</u>			
1	Federal Employee Viewpoint Survey - Response Rate	75.2%	Sustain FY 2016 Response Rate	TBD
	<u>Quality Related Measures:</u>			
2	DCAA QA Review Results - Audits Performed in Accordance with GAGAS	77%	Exceed FY 2016 Rate	TBD
	<u>Timeliness Measures:</u>			
3	Incurred Cost Aging (Months)	15.5 months	15.5 months	TBD
4	Forward Pricing Audits Issued by Original Due Date	78%	80%	TBD
	<u>Efficiency Measures:</u>			
5	Incurred Cost Years Closed	8,113	4,500	TBD

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IV. Performance Criteria and Evaluation Summary:

Description of Performance Measures:

- 1.** Federal Employee Viewpoint Survey - Response Rate. The DCAA uses this measure to assess the extent of employee engagement. The response rate is an indication of employee engagement, desire to play a part in continuing improvement, and belief that leadership will listen and act. The response rate represents the percent of employees that complete the survey compared to the total universe of employees surveyed.

- 2.** DCAA Quality Assurance (QA) Review Results - Audits performed in accordance with GAGAS. The DCAA uses this measure to validate the quality of audits completed. DCAA's Quality Assurance organization performs these reviews and evaluates whether they are performed in accordance with GAGAS. Our goal is to increase the percentage of audits passing the QA Review each cycle.

- 3.** Incurred Cost Aging (Months). The DCAA uses this measure to gauge the currency of its inventory of contractor fiscal year incurred cost submissions on hand. For contractor incurred cost years not closed affecting DoD contracts and subcontracts, this is a measure of the average number of months from receipt of an adequate submission, or from initial receipt of submissions pending adequacy review. The DCAA goal is to maintain an average age of incurred cost proposals at less than 18 months.

- 4.** Percent of forward-pricing proposal audit reports issued by the original agreed-to due date. Contracting officers in the process of negotiating prices for new contracts request audit advice on the reasonableness of the contractor's proposed prices from DCAA. DCAA's ability to provide these audit services in a timely manner is critical to the timely awarding of contracts. We measure the percent of forward pricing proposal audit reports

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IV. Performance Criteria and Evaluation Summary:

issued by the original due date agreed to between the auditor and requester. The percentage of reports meeting the due date is expected to improve each year.

5. Incurred cost years closed. Timely annual audits of costs incurred on contracts by DCAA are an important part of timely contract closeout for Government contracting officers and an important initiative for the Department of Defense. The measure represents the number of contractor fiscal years of incurred cost assignments closed.

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V. <u>Personnel Summary</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	Change FY 2016/ <u>FY 2017</u>	Change FY 2017/ <u>FY 2018</u>
<u>Civilian End Strength (Total)</u>	4,348	4,722	4,617	374	-105
U.S. Direct Hire	4,140	4,249	4,241	109	-8
Total Direct Hire	4,140	4,249	4,241	109	-8
Reimbursable Civilians	208	473	376	265	-97
<u>Civilian FTEs (Total)</u>	4,395	4,691	4,583	296	-108
U.S. Direct Hire	4,187	4,218	4,207	31	-11
Total Direct Hire	4,187	4,218	4,207	31	-11
Reimbursable Civilians	208	473	376	265	-97
Average Annual Civilian Salary (\$ in thousands)	122.0	118.9	121.1	-3.1	2.2
 <u>Contractor FTEs (Total)</u>	 64	 56	 71	 -8	 15
 Defense Acquisition Workforce Development Fund (DAWDF) and Overseas Contingency Operations (OCO) Personnel Summary	 <u>FY 2016</u>	 <u>FY 2017</u>	 <u>FY 2018</u>	 Change FY 2016/ <u>FY 2017</u>	 Change FY 2017/ <u>FY 2018</u>
DAWDF End Strength (Total)	176	102	221	-74	119
DAWDF FTEs (Total)	207	146	249	-61	103
OCO FTEs (Total)	103	103	68	0	-35

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VI. OP 32 Line Items as Applicable (Dollars in thousands):

<u>OP 32 Line</u>	<u>FY 2016</u> <u>Actual</u>	<u>Change</u> <u>FY 2016/FY 2017</u>		<u>FY 2017</u> <u>Estimate</u>	<u>Change</u> <u>FY 2017/FY 2018</u>		<u>FY 2018</u> <u>Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
101 Exec, Gen'l & Spec Scheds	508,020	9,316	-20,147	497,189	9,715	-751	506,153
103 Wage Board	49	1	1	51	1	0	52
104 FN Direct Hire (FNDH)	1	0	-1	0	0	0	0
106 Benefit to Fmr Employees	127	0	-127	0	0	0	0
111 Disability Compensation	1,815	0	1	1,816	0	91	1,907
121 PCS Benefits	863	0	1,520	2,383	0	-832	1,551
199 Total Civ Compensation	510,875	9,317	-18,753	501,439	9,716	-1,492	509,663
308 Travel of Persons	13,256	248	-318	13,186	264	-194	13,256
399 Total Travel	13,256	248	-318	13,186	264	-194	13,256
696 DFAS Financial Operation (Other Defense Agencies)	4,929	-199	-7	4,723	-190	742	5,275
699 Total DWCF Purchases	4,929	-199	-7	4,723	-190	742	5,275
771 Commercial Transport	1,635	31	1,053	2,719	54	-671	2,102
799 Total Transportation	1,635	31	1,053	2,719	54	-671	2,102
912 Rental Payments to GSA (SLUC)	13,968	265	202	14,435	289	-289	14,435
913 Purchased Utilities (Non-Fund)	117	2	-39	80	2	40	122
914 Purchased Communications (Non-Fund)	5,955	113	3,696	9,764	195	185	10,144
915 Rents (Non-GSA)	2,315	44	-25	2,334	47	-73	2,308
920 Supplies & Materials (Non-Fund)	1,515	29	-1,347	197	4	871	1,072
921 Printing & Reproduction	15	0	56	71	1	0	72
922 Equipment Maintenance By Contract	8,299	158	-2,035	6,422	128	3,889	10,439
923 Facilities Sust, Rest, & Mod by Contract	249	5	725	979	20	644	1,643
925 Equipment Purchases (Non-Fund)	4,514	86	-2,245	2,355	47	3,160	5,562
960 Other Costs (Interest and Dividends)	1	0	3	4	0	0	4
987 Other Intra-Govt Purch	11,166	211	29	11,406	228	-257	11,377
989 Other Services	2,461	47	181	2,689	54	22	2,765

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<u>OP 32 Line</u>	FY 2016	Change		FY 2017	Change		FY 2018
	<u>Actual</u>	<u>FY 2016/FY 2017</u>		<u>Estimate</u>	<u>FY 2017/FY 2018</u>		<u>Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
990 IT Contract Support Services	5,778	110	3,257	9,145	183	-1,731	7,597
999 Total Other Purchases	56,353	1,070	2,458	59,881	1,198	6,461	67,540
Total	587,048	10,467	-15,567	581,948	11,042	4,846	597,836

* The FY 2016 Actual column includes \$14,076.0 thousand of FY 2016 Overseas Contingency Operations (OCO) Appropriations Funding (PL 114-113).

* The FY 2017 Estimate column excludes \$13,436.0 thousand of FY 2017 OCO Appropriations Funding.

* The FY 2018 Estimate column excludes \$9,853.0 thousand of FY 2018 OCO Appropriations funding.