

**Defense Contract Audit Agency
Overseas Contingency Operations
Operation and Maintenance, Defense-Wide
Budget Activity 04: Administrative and Service-Wide Activities**

I. Description of Operations Financed: The Defense Contract Audit Agency (DCAA) is responsible for providing audit services and financial advice to all Department of Defense (DoD) acquisition officials involved in Operation FREEDOM'S SENTINEL (OFS)/Operation INHERENT RESOLVE (OIR) military operations and reconstruction in Iraq and Afghanistan. DCAA assists these officials in achieving fair and reasonable contract prices and assuring compliance with contractual terms and conditions by 1) responding to requests from acquisition officials for specific services across the entire spectrum of contract financial and business matters, and 2) fulfilling the recurring audit work required to monitor cost performance and approve contract payments. DCAA's workload originates primarily from the effort required to audit and monitor DoD and civilian agency (USAID and State Department) acquisitions of equipment, materials, and/or services. Congressional interest in the costs charged to Iraq and Afghanistan-related contracts, and requests for contract audit support from the Defense Procurement Fraud Unit and U.S. attorneys during the conduct of investigations and prosecution of perpetrators of contract fraud also impact DCAA's workload.

There are few audit matters within DCAA more sensitive and significant than the support provided to the OFS/OIR-related contracts. The Agency has established priorities to ensure audit support in Iraq, Kuwait, Afghanistan, and Qatar and related field offices is timely, comprehensively accomplished and promptly reported to its customers. The DCAA audits of cost-reimbursable contracts represent a continuous effort from evaluation of proposed prices to final closeout and payment. DCAA performs initial audits of contractor business system internal controls and testing of contract costs to provide a basis for provisional approval of contractor interim payments and early detection of deficiencies. DCAA also performs comprehensive contract cost audits throughout the life of the contract; and the contracting activity uses the audits to adjust provisionally approved interim payments and ultimately to negotiate final payment to the contractor. The audit and financial advisory services provided in support of OFS/OIR military

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I. Description of Operations Financed (cont.)

operations and reconstruction in Iraq and Afghanistan will be subject to the same performance measurement as other DCAA audit activities.

II. Force Structure Summary:

N/A

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III. Financial Summary (\$ in thousands)

	FY 2017							
	FY 2016	Budget	Congressional Action			Current	FY 2018	
			<u>Actual</u>	<u>Request</u>	<u>Amount</u>			<u>Percent</u>
A. BA Subactivities								
OFS	9,729	5,643	0	0.0	0	5,643	6,799	
1.0 - Personnel Compensation	9,589	5,509	0	0.0	0	5,509	6,660	
2.0 - Personnel Support	140	100	0	0.0	0	100	97	
3.0 - Operating Support	0	34	0	0.0	0	34	42	
OIR	4,347	7,793	0	0.0	0	7,793	3,054	
1.0 - Personnel Compensation	4,219	7,607	0	0.0	0	7,607	2,992	
2.0 - Personnel Support	65	137	0	0.0	0	137	44	
3.0 - Operating Support	63	49	0	0.0	0	49	18	
Total	14,076	13,436	0	0.0	0	13,436	9,853	

	FY 2016	FY 2017	FY 2018
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
<u>Summary by Operation</u>			
Operation FREEDOM'S SENTINEL (OFS)	\$9,729	\$5,643	\$6,799
Operation INHERENT RESOLVE (OIR)	\$0	\$7,793	\$3,054
European Reassurance Initiative (ERI)	\$0	\$0	\$0
Post-Operation New Dawn (P-OND)	\$4,347	\$0	\$0
Operation Totals	\$14,076	\$13,436	\$9,853

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B. <u>Reconciliation Summary</u>	Change	Change
	<u>FY 2017/FY 2017</u>	<u>FY 2017/FY 2018</u>
OCO Funding	13,436	13,436
Congressional Adjustments (Distributed)		
Congressional Adjustments (Undistributed)		
Adjustments to Meet Congressional Intent		
Congressional Adjustments (General Provisions)		
Carryover		
Subtotal Appropriated Amount	13,436	
Fact-of-Life Changes (2017 to 2017 Only)		
Subtotal OCO Funding	13,436	
Baseline Appropriation	13,436	
Reprogrammings		
Price Changes		263
Functional Transfers		
Program Changes		-3,846
Current Estimate	26,872	9,853
Less: Baseline Appropriation	-13,436	
Normalized Current Estimate	13,436	

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III. Financial Summary (\$ in thousands)

<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Total</u>
FY 2017 President's Budget Request (Amended, if applicable)		13,436
1. Congressional Adjustments		
a. Distributed Adjustments		
b. Undistributed Adjustments		
c. Adjustments to Meet Congressional Intent		
d. General Provisions		
e. Carryover		
FY 2017 Appropriated Amount		13,436
2. Baseline Appropriation		13,436
a. Baseline Appropriation		
1) FY 2017 Defense-Wide Overseas Contingency Operations	13,436	
3. Fact-of-Life Changes		
FY 2017 OCO Funding		26,872
4. Reprogrammings (Requiring 1415 Actions)		
Revised FY 2017 Estimate		26,872
5. Less: Baseline Appropriation		-13,436
FY 2017 Normalized Current Estimate		13,436
6. Price Change		263
7. Functional Transfers		
8. Program Increases		1,050
a. Annualization of New FY 2017 Program		
b. One-Time FY 2018 Increases		
c. Program Growth in FY 2018		
1) 1.0 - Personnel Compensation OFS	1,043	
Funds are required for personnel performing contract audit work in Afghanistan, Kuwait, Qatar, and in CONUS. Audits occur at many stages of the contracting process, beginning with evaluation of proposed prices and ending with final closeout and payment. Work will		

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C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Total</u>
<p>continue in CONUS after completion of audit performance until the contracts are closed. The funding is needed to perform these important audits in a timely manner.</p> <p>Changes between years FY 2017 and FY 2018 are predominately the result of an increase in expeditionary workyears and to ensure audit support to OFS related contracts. (FY 2017 Baseline: \$5,509 thousand; +10 FTEs)</p>		
<p>2) 3.0 - Operating Support OFS</p> <p>The DCAA has an agreement with the Department of State for support services that include security, health services, general supplies and telephone. In addition, DCAA maintains leased vehicles. These services are crucial to the successful completion of audits in an unstable environment in Afghanistan and to the general well-being of the personnel assigned there.</p> <p>Changes between years FY 2017 and FY 2018 are the result of increased Department of State support service agreement estimates for Afghanistan. (FY 2017 Baseline: \$34 thousand; +0 FTEs)</p>	7	
<p>9. Program Decreases</p> <p>a. Annualization of FY 2017 Program Decreases</p> <p>b. One-Time FY 2017 Increases</p> <p>c. Program Decreases in FY 2018</p>		-4,896
<p>1) 1.0 - Personnel Compensation OIR</p> <p>Funds are required for personnel performing Iraq/Kuwait contract audit work in CONUS. Audit work</p>	-4,763	

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will continue in CONUS focusing on incurred cost audits and contract close-out. The funding is needed to perform these important audits in a timely manner. Changes between years FY 2017 and FY 2018 are predominately the result of decreased workyears required needed to ensure audit support of contracts. Audit effort has shifted focus to auditing costs incurred by contractors during contract performance and completing the audits required to close contracts. (FY 2017 Baseline: \$7,607 thousand; -45 FTEs)		
2) 2.0 - Personnel Support OIR Personnel are assigned on a temporary duty basis to locations within Kuwait. Funds are required for travel to be responsive to customer's needs and to accomplish the mission. Changes between years FY 2017 and FY 2018 are the result of decreased travel requirements based on reduced estimated staffing levels for Iraq/Kuwait. (FY 2017 Baseline: \$137 thousand; +0 FTEs)	-96	
3) 3.0 - Operating Support OIR The DCAA has an agreement with the Department of State for support services that include security, health services, general supplies and telephone. In addition, DCAA maintains leased vehicles. These services are crucial to the successful completion of audits in an unstable environment in Iraq and Kuwait and to the general well-being of the personnel assigned there.	-32	

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III. Financial Summary (\$ in thousands)

C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Total</u>
<p>Changes between years FY 2017 and FY 2018 are the result of reduced support service agreement estimates for Iraq/Kuwait. (FY 2017 Baseline: \$49 thousand; +0 FTEs)</p> <p>4) 2.0 - Personnel Support OFS Personnel are assigned on a temporary duty basis to locations within Afghanistan, Kuwait and Qatar. Funds are required for travel to be responsive to customer's needs and to accomplish the mission. Changes between years FY 2017 and FY 2018 are the result of OFS staffing levels remaining constant for Afghanistan. (FY 2017 Baseline: \$100 thousand; +0 FTEs)</p>	-5	
FY 2018 Budget Request		9,853

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IV. Performance Criteria:

N/A

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V. <u>Personnel Summary</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>Change FY 2016/ FY 2017</u>	<u>Change FY 2017/ FY 2018</u>
<u>Civilian End Strength (Total)</u>	<u>103</u>	<u>103</u>	<u>68</u>	<u>0</u>	<u>-35</u>
U.S. Direct Hire	103	103	68	0	-35
Total Direct Hire	103	103	68	0	-35
<u>Civilian FTEs (Total)</u>	<u>103</u>	<u>103</u>	<u>68</u>	<u>0</u>	<u>-35</u>
U.S. Direct Hire	103	103	68	0	-35
Total Direct Hire	103	103	68	0	-35
Average Annual Civilian Salary (\$ in thousands)	134.0	127.3	141.9	-6.7	14.6

Personnel Summary Explanations:

Significant change between FY 2017 and FY 2018 is attributed to reduce staffing in Southwest Asia, along with a reduced need for audit effort in CONUS. DCAA performs audits throughout the life of the contract. The work that will be accomplished includes direct cost testing, and accounting and billing system oversight at high risk OCO contractors with on-going contracts. In addition, DCAA is performing termination audits and incurred cost audits, primarily in CONUS, to allow contracting officers to close completed contracts.

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

<u>OP 32 Line</u>	FY 2016 <u>Actual</u>	Change <u>FY 2016/FY 2017</u>		FY 2017 <u>Estimate</u>	Change <u>FY 2017/FY 2018</u>		FY 2018 <u>Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
101 Exec, Gen'l & Spec Scheds	13,806	260	-950	13,116	256	-3,720	9,652
199 Total Civ Compensation	13,806	260	-950	13,116	256	-3,720	9,652
308 Travel of Persons	205	4	28	237	5	-101	141
399 Total Travel	205	4	28	237	5	-101	141
914 Purchased Communications (Non-Fund)	1	0	0	1	0	0	1
920 Supplies & Materials (Non-Fund)	1	0	4	5	0	0	5
987 Other Intra-Govt Purch	63	1	13	77	2	-25	54
999 Total Other Purchases	65	1	17	83	2	-25	60
Total	14,076	265	-905	13,436	263	-3,846	9,853