

## **DEFENSE CONTRACT AUDIT AGENCY**

### **Overseas Contingency Operations: Operation Enduring Freedom (OEF)/Operation Iraqi Freedom/New Dawn (OIF/OND) 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 OIF/OEF 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 OIF/OEF-related contracts. The Agency has established priorities to ensure audit support in Iraq, Kuwait, Afghanistan and related field offices is timely, comprehensively accomplished and promptly reported to its customers. The OIF/OEF and Iraqi reconstruction contracts have significantly increased the Agency's auditable dollar base, as well as data requests and support workload for the auditors, supervisors, managers, and headquarters personnel. 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 preliminary 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 OIF/OEF military operations and reconstruction in Iraq and Afghanistan will be subject to the same performance measurement as all other DCAA audit activities.

**II. Financial Summary (\$ in Thousand)**

<b>CBS No.</b>	<b>CBS Title</b>	<b>FY 2010 Actual</b>	<b>FY 2011 Total</b>	<b>Delta</b>	<b>FY 2012 Total</b>
<b>OEF</b>					
1.0	Personnel	\$6,955	\$9,707	(\$2,271)	\$7,436
2.0	Personnel Support	\$168	\$557	(\$221)	\$336
3.0	Operating Support	\$117	\$427	(\$89)	\$338
	Sub-Total	\$7,240	\$10,691	(\$2,581)	\$8,110
<b>OND (FY 2010 will be OIF.)</b>					
1.0	Personnel	\$15,121	\$15,512	(\$1,286)	\$14,226
2.0	Personnel Support	\$1,296	\$401	\$512	\$913
3.0	Operating Support	\$252	\$396	(\$167)	\$229
	Sub-Total	16,669	\$16,309	(\$941)	\$15,368
	SAG Total	\$23,909	\$27,000	(\$3,522)	\$23,478

	<b>FY 2010 Actual</b>	<b>FY 2011 Total</b>	<b>Delta</b>	<b>FY 2012 Total</b>
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**A. Subactivity Group**

**OEF**

1. Cost Breakdown Structure (CBS) Category/Subcategory 1.0 Personnel	<b>\$6,955</b>	<b>\$9,707</b>	<b>(\$2,271)</b>	<b>\$7,436</b>
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- a. **Narrative Justification:** Overall Cost of War effort will decrease from the FY 2011 level as DCAA decreases its presence in Iraq due to the troop drawdown; however, work will continue in CONUS until contracts are closed. The Commission on Wartime Contracting issued a special report in September 2009 that stressed the importance of audits of contractor business systems, including follow-up and resolution. The funding is needed to perform these important audits in a timely manner.
- b. **Explanation of Change Between FY 2011 and FY 2012:** Changes between years FY 2011 and FY 2012 are the result of decreased required workyears in country.

**OND (FY2010 was OIF)**

2. Cost Breakdown Structure (CBS) Category/Subcategory 1.0 Personnel	<b>\$15,121</b>	<b>\$15,512</b>	<b>(\$1,286)</b>	<b>\$14,226</b>
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- a. **Narrative Justification:** Overall Cost of War effort will decrease from the FY 2011 level as DCAA decreases its presence in Iraq due to the troop drawdown; however, work will continue in CONUS until contracts are closed. The Commission on Wartime Contracting issued a special report in September 2009 that stressed the importance of audits of contractor business systems, including follow-up and resolution. The funding is needed to perform these important audits in a timely manner.
- b. **Explanation of Change Between FY 2011 and FY 2012:** Changes between years FY 2011 and FY 2012 are the result of decreased required workyears. The FY 2012 Cost of War request provides for a continuing shift in audit effort from supporting new contract awards for Iraq to auditing costs incurred by contractors during the contract performance.

	<b>FY 2010 Actual</b>	<b>FY 2011 Total</b>	<b>Delta</b>	<b>FY 2012 Total</b>
<b>OEF</b>				
3. CBS Category/Subcategory 2.0 Personnel Support	<b>\$168</b>	<b>\$557</b>	<b>(\$221)</b>	<b>\$336</b>
<p><b>a. <u>Narrative Justification:</u></b> Personnel are assigned on a temporary duty basis to locations within Afghanistan. Funds are required for travel to be responsive to customer's needs and to accomplish the mission.</p> <p><b>b. <u>Explanation of Change Between FY 2011 and FY 2012:</u></b> Changes between years FY 2011 and FY 2012 are the result of travel requirements based on estimated staffing levels for Afghanistan.</p>				
<b>OND (FY2010 was OIF)</b>				
4. CBS Category/Subcategory 2.0 Personnel Support	<b>\$1,296</b>	<b>\$401</b>	<b>\$512</b>	<b>\$913</b>
<p><b>a. <u>Narrative Justification:</u></b> Personnel are assigned on a temporary duty basis to locations within Iraq. Funds are required for travel to be responsive to customer's needs and to accomplish the mission.</p> <p><b>b. <u>Explanation of Change Between FY 2011 and FY 2012:</u></b> Changes between years FY 2011 and FY 2012 are the result of travel requirements based on estimated staffing levels for Iraq.</p>				
<b>OEF</b>				
5. CBS Category/Subcategory 3.0 Operating Support	<b>\$117</b>	<b>\$427</b>	<b>(\$89)</b>	<b>\$338</b>
<p><b>a. <u>Narrative Justification:</u></b> 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><b>b. <u>Explanation of Change Between FY 2011 and FY 2012:</u></b> Changes between years FY 2011 and FY 2012 are the result of projected staffing level estimates for Afghanistan.</p>				

	<b>FY 2010 Actual</b>	<b>FY 2011 Total</b>	<b>Delta</b>	<b>FY 2012 Total</b>
<b>OND (FY2010 was OIF)</b>				
6. CBS Category/Subcategory 3.0 Operating Support	\$252	\$396	(\$167)	\$229
<p>a. <b><u>Narrative Justification:</u></b> 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 to the general well-being of the personnel assigned there.</p> <p>b. <b><u>Explanation of Change Between FY 2011 and FY 2012:</u></b> Changes between years FY 2011 and FY 2012 are the result of projected staffing level estimates for Iraq.</p>				
<b>Total</b>	<b>\$23,909</b>	<b>\$27,000</b>	<b>(\$3,522)</b>	<b>\$23,478</b>

**OP 32 Line items as Applicable (Dollars in thousands):**

<u>OP 32 Line</u>	<u>FY 2010</u> <u>Actuals</u>	<u>Change</u> <u>FY 2010 to FY 2011</u>		<u>FY 2011</u> <u>Estimate</u>	<u>Change</u> <u>FY 2011 to FY 2012</u>		<u>FY 2012</u> <u>Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
		<u>Growth</u>	<u>Growth</u>		<u>Growth</u>	<u>Growth</u>	
101 Executive, General & Special Schedules	22,076	0	3,143	25,219	-	(3,668)	21,551
<b>121 Perm Change Of Station</b>	-	-	-	-	-	111	<b>111</b>
<b>199 Total Civilian Personnel Compensation</b>	22,076	<b>0</b>	3,143	<b>25,219</b>	-	(3,557)	<b>21,662</b>
308 Travel of Persons	1,449	20	(523)	946	14	289	1,249
<b>399 Total Travel</b>	1,449	<b>20</b>	(523)	<b>946</b>	<b>14</b>	<b>289</b>	<b>1,249</b>
771 Commercial Transportation	15	-	(3)	12	-	(12)	-
<b>799 Total Transportation</b>	15	-	(3)	<b>12</b>	-	(12)	-
914 Purchased Communications (Non-Fund)	68	1	(42)	27	-	91	118
920 Supplies & Materials (Non-Fund)	75	1	89	165	3	(68)	100
922 Equipment Maintenance by Contract	17	-	(8)	9	-	(9)	-
987 Other Intra-Government Purchases	209	3	410	622	9	(282)	349
<b>999 Total Other Purchases</b>	369	<b>5</b>	449	<b>823</b>	<b>12</b>	<b>(268)</b>	<b>567</b>
<b>9999 Total</b>	<b>23,909</b>	<b>25</b>	<b>3,066</b>	<b>27,000</b>	<b>26</b>	<b>(3,548)</b>	<b>23,478</b>