

Fiscal Year 2014 Budget Estimates
Defense Contract Audit Agency (DCAA)



April 2013

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**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2014 Budget Estimates**

Operation and Maintenance, Defense-Wide Summary (\$ in thousands)

Budget Activity (BA) 4: Administrative and Service-wide Activities

	FY 2012 <u>Actual</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2013 <u>Estimate</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2014 <u>Estimate</u>
DCAA	520,587	3,173	50,213	573,973	6,260	31,974	612,207

* The FY 2012 Estimate column includes \$28,676 thousand of the FY 2012 OCO Appropriations funding (PL 112-74).

* The FY 2013 Estimate column excludes \$30,674 thousand requested in the FY 2013 Defense-Wide OCO Budget Request.

* The FY 2014 Estimate column excludes FY 2014 Defense-Wide OCO Budget Request.

I. Description of Operations Financed:

www.dcaa.mil The Defense Contract Audit Agency (DCAA) is responsible for providing audit services and financial advice to all Department of Defense (DoD) acquisition officials to assist them in achieving fair and reasonable contract prices and assuring compliance with contractual terms and conditions. The DCAA responds to specific acquisition official requests for services across the entire spectrum of contract financial and business matters as well as fulfilling recurring audit work required to monitor cost performance and approve contract payments. The DCAA provides contract audit support to all DoD components as part of the military operations and reconstruction effort in Iraq and Afghanistan. The DCAA also supports the Iraq and Afghanistan effort of other Federal Agencies such as the State Department and U.S. Agency for International Development on a reimbursable basis.

Significant changes between FY 2013 and FY 2014 include increased work years to reduce the backlog of unaudited contractor incurred costs. Reducing the incurred cost backlog is necessary to (1) assist in achieving auditable financial statements, a Secretary of Defense priority; (2) provide DCAA with data needed for forward-pricing audits; and (3) prevent undue delays in payments of fees to contractors (a portion of fees to contractors is delayed until the contract is closed).

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I. Description of Operations Financed (cont.)

DCAA is in full support of the Department's FY 2013 Annual Performance Plan. DCAA's FY 2012 Financial Statements received an unqualified opinion from its Independent Public Auditors. DCAA's hiring and training processes support Department goals for hiring timelines and the Defense Acquisition Workforce Improvement Act (DAWIA) Level II and III certification requirements. DCAA's Information Technology (IT) and National Security Systems (NSS) meet or exceed DoD goals. DCAA is also participating in the pilot of the Financial Management certification program sponsored by OSD Comptroller.

The DCAA continues to return savings to the Government that exceed the cost of its operations. In FY 2012, the Agency audited \$31 billion of costs incurred on contracts and issued 1,811 forward pricing proposal audit reports amounting to \$113 billion. Approximately \$4.2 billion in net savings were reported because of the audit findings. The return on taxpayers' investment is approximately \$6.70 for each dollar invested (\$621 million in FY 2012, including reimbursable).

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I. Description of Operations Financed (cont.)

Projected staffing requirements correspond to planned changes in DoD procurement levels and required effort to complete audits of prior year contract expenditures. The DCAA workload is divided into the major functional categories described below:

<u>Execution of Workyears</u>	(1)	(2)	(3)
	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>
1. Forward Pricing	1,005	903	903
2. Incurred Cost Effort:			
Regular Incurred Cost	1,954	2,175	2,476
CAS Compliance Audits	24	27	30
Total Incurred Cost	1,978	2,202	2,506
3. Operations Audits	17	16	16
4. Special Audits	518	480	502
5. Postaward Audits	42	39	39
6. Cost Accounting Standards: Disclosure Statements, Cost Impact Audits, Etc.	157	156	159
7. Other Direct Audit Effort:			
Procurement Support	214	209	212
Audit Support & Planning	421	386	386
Total Other Direct	635	595	598
8. Field Support:			
Regional Offices	301	300	300
Field Support	128	126	126
Total Field Support	429	426	426
9. Headquarters	157	161	161
Total Workyears	4,938	4,978	5,310

(1) Includes O&M FTEs of 4,223 plus 192 OCO, 82 overtime and 441 DAWDF.

(2) Includes O&M FTEs of 4,978. Excludes DAWDF FTEs (167).

(3) Includes O&M FTEs of 5,310. Excludes DAWDF FTEs (45).

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I. Description of Operations Financed (cont.)

1. **Forward Pricing Effort.** The Federal Acquisition Regulations (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 negotiated Government contracts. 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 has no control over the number or timing of price proposal audits and must respond to each audit request as top priority.

b. Forward Pricing Rate Reviews. 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. Audits of Parts of Proposals and Agreed Upon Procedures. Audits of parts of proposals are audits of only specific cost elements within a proposal (e.g., only proposed material or labor costs, or overhead rates). Applications of agreed-upon procedures include cost realism reviews and all reviews of information other than cost or pricing data submitted in support of a price proposal. DCAA provides these services to meet the specific needs of contracting officers.

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I. Description of Operations Financed (cont.)

d. Estimating System Surveys. The DCAA performs these examinations to determine the reliability of contractors' estimating methods and procedures used to prepare price proposals, and whether they provide a basis for negotiating fair and reasonable prices. Systems surveys may be either a joint team review combining experience and capabilities of the auditor and technical specialist, or comprehensive reviews performed solely by auditors. 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.

2. **Incurring 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 reviews of direct labor and material costs and indirect expenses. It also includes reviews of 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

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I. Description of Operations Financed (cont.)

other business systems gained during these audits is invaluable to the evaluation of contractors' price proposals.

The FY 2014 budget estimate contains a significant increase for the specific purpose of reducing the backlog of unaudited contractor incurred costs. During FYs 2009-2011, DCAA shifted resources away from audits necessary to close contracts (incurred cost audits) in order to focus on performing Generally Accepted Government Auditing Standards (GAGAS) - compliant audits for large contract proposals where audits can help contracting officers negotiate lower prices. This resulted in an increase in the incurred cost backlog of approximately \$420 billion between FY 2008 and FY 2011. DCAA will use the increased funding in FY 2014 for additional audit staff specifically to reduce the backlog. Beginning in FY 2012, DCAA established incurred cost teams who are focusing all of their efforts on the incurred cost audits until the backlog is reduced to an acceptable level. These dedicated teams increase efficiencies by specializing in this type of audit and eliminating disruptions from competing audit assignments. In July 2012, DCAA received authority to examine incurred cost audits that pose lower risk on a sample basis. Clearing the incurred cost backlog is necessary to (1) assist in achieving auditable financial statements, a Secretary of Defense priority; (2) provide DCAA with data needed for forward-pricing audits; and (3) prevent undue delays in payments of fees to contractors (a portion of fees to contractors is delayed until the contract is closed).

3. Operations Audits. The DCAA also performs a variety of economy and efficiency audits of contractor operations. The 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 these 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 examinations of contractor earned value management systems which DCAA performs as part of a team lead by the Defense Contract Management Agency. This category also includes accounting system audits that DCAA performs for procurement contracting offices prior to contract award, and various other types of effort 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.** The Truth in Negotiations Act (TINA) (10 USC §2306a) requires contracting officers to obtain cost or pricing data from contractors before awarding a contract unless an exception applies. Under TINA, the Government has the right to examine these records to ensure that 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 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 Effort.** The other audit-related activities include providing on-site assistance to procurement and contract administration offices, contract audit coordinator programs, and negotiation support. This activity also includes effort related to Congressional, Government Accountability Office (GAO), DoD Inspector General (DoD IG), and other external requests, surveys, and reports. The major functions are:

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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. Contract Audit Coordinator (CAC) Program. DCAA established a CAC program at the largest DoD contractors whose accounting functions, operations, and contract performance occur at multiple locations under the audit cognizance of multiple DCAA field offices. The program maintains effective communications and audit coordination at these contractor locations. The CAC program includes effort to: (i) disseminate information; (ii) monitor problem areas to assure uniform resolution; and (iii) coordinate 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 and/or 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/or financial assistance the contracting officer may require during the negotiation process.

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I. Description of Operations Financed (cont.)

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 presentation to U.S. attorney or grand jury, and/or 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. The projects normally relate to new and/or innovative ways of performing DCAA's audit mission, and often add to the body of knowledge needed to enhance Agency mission accomplishment through the development and application of improved audit and/or audit management technology and techniques.

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

a. Regional Offices. These offices provide technical audit management and supervision, and logistical support in the form of personnel services, financial management, and administrative services 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

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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 policy guidance to the regional offices and field audit offices, where appropriate, regarding training and education, 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.

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 ensure that AIS and personal computing needs are satisfied. It is also responsible for operating the Agency-wide communications infrastructure, monitoring network performance, and managing DCAA's information assurance program.

d. Technical Audit Services Division (OTS). OTS conducts research and distributes information to the field on operations audits, quantitative audit techniques, computer 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. Field administrative support personnel provide administrative and resource management services.

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I. Description of Operations Financed (cont.)

f. Defense Legal Service. This category includes personnel from the Defense Legal Service assigned to DCAA.

9. **Headquarters**. The DCAA Headquarters performs the work normally associated with the central office of a professional 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 advises regional offices on resource management matters, including recruitment and financial management. Headquarters personnel also interface with other DoD components and other Government agencies and Congressional committees on contract audit matters.

II. Force Structure Summary:

Not Applicable.

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III. Financial Summary (\$ in thousands)

	<u>FY 2013</u>					<u>FY 2014</u> <u>Estimate</u>	
	<u>FY 2012</u> <u>Actual</u>	<u>Budget</u> <u>Request</u>	<u>Congressional Action</u>				<u>Current</u> <u>Estimate</u>
			<u>Amount</u>	<u>Percent</u>	<u>Appropriated</u>		
A. <u>BA Subactivities</u>							
1. <u>Audit Institute</u>	7,871	8,464				8,000	
DCAA Communications	9	10			10	10	
DCAA Operations	7,862	8,454			8,454	7,990	
2. <u>Audit Operations</u>	512,716	565,509			565,509	604,207	
DCAA Communications	6,087	5,339			5,339	5,377	
DCAA Major Headquarters	31,014	29,160			29,160	34,000	
DCAA Operations	475,615	531,010			531,010	564,830	
Total	520,587	573,973			573,973	612,207	

- * The FY 2012 Estimate column includes \$28,676 thousand of the FY 2012 OCO Appropriations funding (PL 112-74).
- * The FY 2013 Estimate column excludes \$30,674 thousand requested in the FY 2013 Defense-Wide OCO Budget Request.
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III. Financial Summary (\$ in thousands)

B. <u>Reconciliation Summary</u>	Change	Change
	<u>FY 2013/FY 2013</u>	<u>FY 2013/FY 2014</u>
Baseline Funding	573,973	573,973
Congressional Adjustments (Distributed)		
Congressional Adjustments (Undistributed)		
Adjustments to Meet Congressional Intent		
Congressional Adjustments (General Provisions)		
Subtotal Appropriated Amount	573,973	
Fact-of-Life Changes (2013 to 2013 Only)		
Subtotal Baseline Funding	573,973	
Supplemental	30,674	
Reprogrammings		
Price Changes		6,260
Functional Transfers		
Program Changes		31,974
Current Estimate	604,647	612,207
Less: Wartime Supplemental	-30,674	
Normalized Current Estimate	573,973	

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III. Financial Summary (\$ in thousands)

	Amount	Totals
C. Reconciliation of Increases and Decreases		
FY 2013 President's Budget Request (Amended, if applicable)		573,973
1. Congressional Adjustments		
a. Distributed Adjustments		
b. Undistributed Adjustments		
c. Adjustments to Meet Congressional Intent		
d. General Provisions		
FY 2013 Appropriated Amount		573,973
2. War-Related and Disaster Supplemental Appropriations		30,674
a. OCO Supplemental Funding		
1) FY 2013 Defense-Wide Overseas Operations Budget Request	30,674	
3. Fact-of-Life Changes		
FY 2013 Baseline Funding		604,647
4. Reprogrammings (Requiring 1415 Actions)		
Revised FY 2013 Estimate		604,647
5. Less: Item 2, War-Related and Disaster Supplemental Appropriations and Item 4, Reprogrammings		-30,674
FY 2013 Normalized Current Estimate		573,973
6. Price Change		6,260
7. Functional Transfers		
8. Program Increases		36,347
a. Annualization of New FY 2013 Program		
b. One-Time FY 2014 Increases		
c. Program Growth in FY 2014		
1) Personnel Compensation	34,771	
Increase in personnel compensation due to increase of 309 Auditor FTEs, primarily assigned to incurred cost teams focusing their efforts on the incurred cost backlog. Reducing the incurred cost backlog is necessary to (1) assist in achieving auditable		

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III. Financial Summary (\$ in thousands)

C. Reconciliation of Increases and Decreases	Amount	Totals
financial statements, a Secretary of Defense priority; (2) provide DCAA with data needed for forward-pricing audits; and (3) prevent undue delays in payments of fees to contractors (a portion of fees to contractors is delayed until the contract is closed). (FY 2013 Baseline \$489,189; +309 FTEs)		
2) Travel	941	
Supports mission and training travel for increased audit staff. (FY 2013 Baseline \$15,857; +0 FTEs)		
3) DFAS	520	
Increased DFAS support costs. (FY 2013 Baseline \$4,231; +0 FTEs)		
4) Supplies and Other Costs	69	
Support additional audit staff. (FY 2013 Baseline \$4,519; +0 FTEs)		
5) Permanent Change of Station	46	
Permanent Change of Station (PCS) increase. (FY 2013 Baseline \$2,873; +0 FTEs)		
9. Program Decreases		-4,373
a. Annualization of FY 2013 Program Decreases		
b. One-Time FY 2013 Increases		
c. Program Decreases in FY 2014		
1) Rental Payments to GSA	-3,593	
Decreased Agency rental costs due to anticipated savings from proposed Agency-wide hoteling concept at the field audit offices pending union agreement. (FY 2013 Baseline \$14,353; +0 FTEs)		
2) Other Intra-Government Purchases	-251	
Reduced costs for security investigations. (FY 2013 Baseline \$11,209; +0 FTEs)		

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III. Financial Summary (\$ in thousands)

C. Reconciliation of Increases and Decreases	Amount	Totals
3) Other Services	-215	
Decreased training costs for non-audit staff. (FY 2013 Baseline \$2,657; +0 FTEs)		
4) Equipment Maintenance by Contract	-107	
Reduced cost due to software maintenance contracts. (FY 2013 Baseline \$5,346; +0 FTEs)		
5) IT Contract Support	-91	
Consolidation of certain IT contracts yields efficiency in contract costs. (FY 2013 Baseline \$9,119; +0 FTEs)		
6) Purchased Communications	-64	
Reduced telecommunication requirements within the regions. (FY 2013 Baseline \$5,349; +0 FTEs)		
7) Equipment Purchases	-52	
Decreased furniture and commercial transportation costs. (FY 2013 Baseline \$5,855; +0 FTEs)		
FY 2014 Budget Request		612,207

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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. The DCAA also performs on a reimbursable basis contract audit services for many other federal agencies.

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IV. Performance Criteria and Evaluation Summary:

DCAA's Strategic Plan. DCAA's current Strategic Plan was issued in November 2010. The Strategic Plan is founded on a Mission Statement, followed by a Vision Statement, Values and Goals. 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 5-year time frame. 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 Strategic Plan Goals

Goal 1: "One Agency" with a culture of teamwork, excellence, accountability, mutual respect, integrity, and trust.

Goal 2: High-quality audits and other financial advisory services.

Goal 3: Highly skilled and motivated professionals dedicated to excellence in accomplishing our mission.

Goal 4: Effective working relationships with DCAA external stakeholders.

Goal 5: The workforce has the right space, the right equipment, and the right technology at the right time to successfully deliver on 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 measure that more closely align with the Strategic Plan. As a result, the audit performance measures discussed below may change for FY 2013 and 2014. Detailed descriptions are provided for each of the existing measures.

<u>Notes</u>	<u>Audit Performance Measures</u>	<u>FY 2012 Actual</u>	<u>FY 2013 Objective (Est.)</u>	<u>FY 2014 Objective (Est.)</u>
	<u>Quality Related Measures:</u>			
1	Opinion on Council of Inspectors General on Integrity and Efficiency (CIGIE) Review	No Current Opinion	Unqualified Opinion	Unqualified Opinion
2	DCAA Internal QA Reviews	72%	Exceed FY 2012	TBD
3	Quantitative Methods Usage	32%	TBD	TBD
4	CPE Requirements	100%	100%	100%
	<u>Timeliness Measures:</u>			
5	Forward Pricing Audits Issued by Original Due Date	32%	Exceed FY 2012	TBD
6	Incurred Cost Years Completed	2,930	8,000	TBD
	<u>Efficiency Measure:</u>			
7	Cost per Direct Audit Hour	\$133.54	TBD	TBD

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IV. Performance Criteria and Evaluation Summary:

Description of Performance Measures:

1. Opinion on the Council of Inspectors General on Integrity and Efficiency (CIGIE)

reviews. The Government Auditing Standards, as promulgated by the Government Accountability Office, requires each audit organization that conducts audits in accordance with these standards have an internal quality control system in place and undergo an external quality control review. The internal quality control system established by each audit organization should provide reasonable assurance that it has (1) adopted, and is following, applicable auditing standards and (2) established, and is following, adequate audit policies and procedures. Organizations conducting audits in accordance with these standards should have an external quality control review at least once every three years by an organization not affiliated with the organization being reviewed. These external quality control reviews are conducted based on guidelines established by the CIGIE. An unqualified opinion represents full compliance with auditing standards with no reportable deficiencies.

2. DCAA Internal Quality Assurance (QA) Results. 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 Generally Accepted Government Auditing Standards (GAGAS). The goal is to increase the percentage of audits passing the QA Review each year.

3. Quantitative Methods Usage. The DCAA uses this measure to monitor the extent to which advanced level audit techniques such as statistical sampling, improvement curves, and regression analysis are used. The goal is set at a level to encourage use when applicable, but not so high as to promote the use of quantitative techniques when they are not appropriate. The FY 2013 and 2014 goals for this measure have not yet been established but are expected to be at or above the level of the previous year.

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IV. Performance Criteria and Evaluation Summary:

4. Continuing Professional Education Requirements. All DCAA audit staff members must complete 80 hours of continuing professional education (CPE) over a two year period in accordance with the GAGAS published by the GAO. The CPE requirement is consistent with DCAA's Strategic Plan goals for professional competence. The DCAA goal is for 100 percent of auditors to complete the minimum Continuing Professional Education requirements.

5. 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. The DCAA measures the percent of forward pricing proposal audit reports 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.

6. Incurred cost years completed. 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 FY 2013 goal is 8,000 contractor fiscal year submissions. The FY 2014 goal has not yet been established.

7. Cost Per Direct Audit Hour (CPDAH). The CPDAH metric measures the control of operating costs. To assess overall success in managing operating costs from year to year, each year's goal is set at a rate that will not exceed the prior year's rate when restated in constant dollars. The FY 2013 and 2014 goals have not yet been established.

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V. <u>Personnel Summary</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	Change FY 2012/ FY 2013	Change FY 2013/ FY 2014
<u>Civilian End Strength (Total)</u>	4,842	5,252	5,426	410	174
U.S. Direct Hire	4,836	5,246	5,420	410	174
Foreign National Direct Hire	1	1	1	0	0
Total Direct Hire	4,837	5,247	5,421	410	174
Foreign National Indirect Hire	5	5	5	0	0
Memo: Reimbursable Civilians Included	501	512	535	11	23
<u>Civilian FTEs (Total)</u>	4,415	4,978	5,310	563	332
U.S. Direct Hire	4,409	4,972	5,304	563	332
Foreign National Direct Hire	1	1	1	0	0
Total Direct Hire	4,410	4,973	5,305	563	332
Foreign National Indirect Hire	5	5	5	0	0
Memo: Reimbursable Civilians Included	501	512	535	11	23
Average Annual Civilian Salary (\$ in thousands)	112.9	110.7	111.8	-2.2	1.1
 <u>Contractor FTEs (Total)</u>	 <u>55</u>	 <u>54</u>	 <u>62</u>	 <u>-1</u>	 <u>8</u>

**Defense Acquisition Workforce
Development Fund (DAWDF) and Overseas
Contingency Operations (OCO)**

Personnel Summary	FY 2012	FY 2013	FY 2014	Change FY 2012/ FY 2013	Change FY 2013/ FY 2014
DAWDF End Strength (Total)	318	90	0	-228	-90
DAWDF FTEs (Total)	441	167	45	-274	-122
DAWDF Sustained FTEs	299	518	608	219	90
OCO FTEs (Total)	192	192	181	0	-11

**Defense Contract Audit Agency
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VI. OP 32 Line Items as Applicable (Dollars in thousands):

<u>OP 32 Line</u>	<u>FY 2012</u> <u>Actual</u>	<u>Change</u> <u>FY 2012/FY 2013</u>		<u>FY 2013</u> <u>Estimate</u>	<u>Change</u> <u>FY 2013/FY 2014</u>		<u>FY 2014</u> <u>Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
101 Exec, Gen'l & Spec Scheds	437,174	1,054	50,961	489,189	4,280	34,732	528,201
103 Wage Board	47	0	0	47	0	1	48
104 FN Direct Hire (FNDH)	66	0	5	71	1	-2	70
111 Disability Compensation	2,350	0	0	2,350	0	40	2,390
121 PCS Benefits	2,205	0	668	2,873	0	46	2,919
199 Total Civ Compensation	441,842	1,054	51,634	494,530	4,281	34,817	533,628
308 Travel of Persons	17,225	345	-1,713	15,857	301	941	17,099
399 Total Travel	17,225	345	-1,713	15,857	301	941	17,099
696 DFAS Financial Operation (Other Defense Agencies)	3,731	618	-118	4,231	550	520	5,301
699 Total DWCF Purchases	3,731	618	-118	4,231	550	520	5,301
771 Commercial Transport	1,341	27	-437	931	18	-2	947
799 Total Transportation	1,341	27	-437	931	18	-2	947
912 Rental Payments to GSA (SLUC)	13,597	272	484	14,353	273	-3,593	11,033
913 Purchased Utilities (Non-Fund)	4	0	1	5	0	0	5
914 Purchased Communications (Non-Fund)	6,096	122	-869	5,349	102	-64	5,387
915 Rents (Non-GSA)	1,408	28	-756	680	13	-1	692
917 Postal Services (U.S.P.S)	21	0	0	21	0	1	22
920 Supplies & Materials (Non-Fund)	3,502	70	947	4,519	86	69	4,674
921 Printing & Reproduction	100	2	20	122	2	0	124
922 Equipment Maintenance By Contract	4,801	96	449	5,346	102	-107	5,341
923 Facilities Sust, Rest, & Mod by Contract	1,808	36	-1,729	115	2	0	117
925 Equipment Purchases (Non-Fund)	6,438	129	-1,643	4,924	94	-50	4,968
960 Other Costs (Interest and Dividends)	2	0	3	5	0	0	5
987 Other Intra-Govt Purch	10,230	205	774	11,209	213	-251	11,171
989 Other Services	2,048	41	568	2,657	50	-215	2,492
990 IT Contract Support Services	6,393	128	2,598	9,119	173	-91	9,201

**Defense Contract Audit Agency
 Operation and Maintenance, Defense-Wide
 Fiscal Year (FY) 2014 Budget Estimates**

<u>OP 32 Line</u>	FY 2012	Change		FY 2013	Change		FY 2014
	<u>Actual</u>	<u>FY 2012/FY 2013</u>		<u>Estimate</u>	<u>FY 2013/FY 2014</u>		<u>Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
999 Total Other Purchases	56,448	1,129	847	58,424	1,110	-4,302	55,232
Total	520,587	3,173	50,213	573,973	6,260	31,974	612,207

- * The FY 2012 Estimate column includes \$28,676 thousand of the FY 2012 OCO Appropriations funding (PL 112-74).
- * The FY 2013 Estimate column excludes \$30,674 thousand requested in the FY 2013 Defense-Wide OCO Budget Request.
- * The FY 2014 Estimate column excludes FY 2014 Defense-Wide OCO Budget Request.