

Fiscal Year 2015 Budget Estimates
Defense Contract Audit Agency (DCAA)



March 2014

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**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2015 Budget Estimates**

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

	FY 2013 <u>Actual</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2014 <u>Estimate</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2015 <u>Estimate</u>
DCAA	534,540	5,141	25,968	565,649	6,354	-15,510	556,493

* The FY 2013 Actual column **includes** \$28,436 thousand of FY 2013 OCO Appropriations funding (PL 113-6).

* The FY 2014 Estimate column **excludes** \$27,781 thousand of FY 2014 Overseas Contingency Operations Appropriations funding (PL 113-76).

* The FY 2015 Estimate **excludes** OCO.

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.

In FY 2015, the DCAA continues efforts to reduce the incurred cost backlog. Reducing the incurred cost backlog 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).

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2015 Budget Estimates**

I. Description of Operations Financed (cont.)

DCAA is in full support of the Department's FY 2013 Annual Performance Plan. DCAA's FY 2013 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.

The DCAA continues to return savings to the Government that exceed the cost of its operations. In FY 2013, the Agency audited \$50 billion of costs incurred on contracts and issued over 1,300 forward pricing proposal audit reports amounting to \$100 billion. Approximately \$4.4 billion in net savings were reported because of the audit findings. The return on taxpayers' investment is approximately \$7.30 for each dollar invested (\$608 million in FY 2013, including reimbursable).

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2015 Budget Estimates**

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) <u>Actual</u> <u>FY 2013</u>	(2) <u>Estimate</u> <u>FY 2014</u>	(3) <u>Estimate</u> <u>FY 2015</u>
1. Forward Pricing	895	691	691
2. Incurred Cost Effort:			
Regular Incurred Cost	2,180	2,116	2,129
CAS Compliance Audits	18	22	24
Total Incurred Cost	2,198	2,138	2,153
3. Operations Audits	12	2	4
4. Special Audits	441	417	417
5. Postaward Audits	28	35	35
6. Cost Accounting Standards: Disclosure Statements, Cost Impact Audits, Etc.	199	246	246
7. Other Direct Audit Effort:			
Procurement Support	208	216	209
Audit Support & Planning	362	377	377
Total Other Direct	570	593	586
8. Field Support:			
Regional Offices	291	290	285
Field Support	122	114	114
Total Field Support	413	404	399
9. Headquarters	151	141	137
Total Workyears	4,907	4,667	4,668

(1) Includes O&M FTEs of 4,503 plus 201 OCO, 16 overtime and 187 DAWDF.

(2) Includes O&M FTEs of 4,667. Excludes OCO (189) and DAWDF (137).

(3) Includes O&M FTEs of 4,668. Excludes OCO and DAWDF (150).

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2015 Budget Estimates**

I. Description of Operations Financed (cont.)

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 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. Agreed Upon Procedures. 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.

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2015 Budget Estimates**

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. 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 reviews of direct labor and material costs and indirect expenses. It also includes reviews of contractor business systems and related internal controls. Although

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2015 Budget Estimates**

I. Description of Operations Financed (cont.)

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 invaluable to the evaluation of contractors' price proposals.

In FY 2015, the DCAA continues efforts to reduce the incurred cost backlog. 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. Beginning in FY 2012, DCAA established dedicated teams who are focusing all of their efforts on the incurred cost audits until the backlog is reduced to an acceptable level. In July 2012, DCAA received authority to examine incurred cost audits that pose lower risk on a sample basis.

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 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

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2015 Budget Estimates**

I. Description of Operations Financed (cont.)

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

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2015 Budget Estimates**

I. Description of Operations Financed (cont.)

(DoDIG), and other external requests, surveys, and reports. The major functions are:

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

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2015 Budget Estimates**

I. Description of Operations Financed (cont.)

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.

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.

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2015 Budget Estimates**

I. Description of Operations Financed (cont.)

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, 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 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.

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2015 Budget Estimates**

I. Description of Operations Financed (cont.)

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.

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, other Government agencies, and Congressional committees on contract audit matters.

Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2015 Budget Estimates

II. Force Structure Summary:

Not Applicable.

Defense Contract Audit Agency
 Operation and Maintenance, Defense-Wide
 Fiscal Year (FY) 2015 Budget Estimates

III. Financial Summary (\$ in thousands)

	FY 2014						
	FY 2013	Budget	Congressional Action			Current	FY 2015
			<u>Actual</u>	<u>Request</u>	<u>Amount</u>		
A. BA Subactivities							
1. Audit Institute	6,718	8,000	0	0.0	8,000	9,198	9,312
DCAA Communications	9	10	0	0.0	10	9	9
DCAA Operations	6,709	7,990	0	0.0	7,990	9,189	9,303
2. Audit Operations	527,822	604,207	-46,558	-7.7	557,649	556,451	547,181
DCAA Communications	4,909	5,377	0	0.0	5,377	6,806	5,346
DCAA Major Headquarters	26,412	34,000	0	0.0	34,000	34,000	31,431
DCAA Operations	496,501	564,830	-46,558	-8.2	518,272	515,645	510,404
Total	534,540	612,207	-46,558	-7.6	565,649	565,649	556,493

* The FY 2013 Actual column includes \$28,436 thousand of FY 2013 OCO Appropriations funding (PL 113-6).

* The FY 2014 Estimate column excludes \$27,781 thousand of FY 2014 Overseas Contingency Operations Appropriations funding (PL 113-76).

* The FY 2015 Estimate excludes OCO.

Defense Contract Audit Agency
 Operation and Maintenance, Defense-Wide
 Fiscal Year (FY) 2015 Budget Estimates

III. Financial Summary (\$ in thousands)

B. <u>Reconciliation Summary</u>	Change	Change
	<u>FY 2014/FY 2014</u>	<u>FY 2014/FY 2015</u>
Baseline Funding	612,207	565,649
Congressional Adjustments (Distributed)	-40,000	
Congressional Adjustments (Undistributed)		
Adjustments to Meet Congressional Intent		
Congressional Adjustments (General Provisions)	-6,558	
Subtotal Appropriated Amount	565,649	
Fact-of-Life Changes (2014 to 2014 Only)		
Subtotal Baseline Funding	565,649	
Supplemental	27,781	
Reprogrammings		
Price Changes		6,354
Functional Transfers		
Program Changes		-15,510
Current Estimate	593,430	556,493
Less: Wartime Supplemental	-27,781	
Normalized Current Estimate	565,649	

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2015 Budget Estimates**

III. Financial Summary (\$ in thousands)

<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
FY 2014 President's Budget Request (Amended, if applicable)		612,207
1. Congressional Adjustments		-46,558
a. Distributed Adjustments		
1) Enter Description	-40,000	
b. Undistributed Adjustments		
c. Adjustments to Meet Congressional Intent		
d. General Provisions		
1) Section 8140 - DWCF Excess Cash Balance	-6,339	
2) Section 8034 - Indian Lands Environmental Mitigation	-219	
FY 2014 Appropriated Amount		565,649
2. War-Related and Disaster Supplemental Appropriations		27,781
a. OCO Supplemental Funding		
1) FY 2014 Defense-Wide Overseas Contingency Operations	27,781	
3. Fact-of-Life Changes		
FY 2014 Baseline Funding		593,430
4. Reprogrammings (Requiring 1415 Actions)		
Revised FY 2014 Estimate		593,430
5. Less: Item 2, War-Related and Disaster Supplemental Appropriations and Item 4, Reprogrammings		-27,781
FY 2014 Normalized Current Estimate		565,649
6. Price Change		6,354
7. Functional Transfers		
8. Program Increases		3,366
a. Annualization of New FY 2014 Program		
b. One-Time FY 2015 Increases		
c. Program Growth in FY 2015		
1) IT Contract Support Services	1,036	
Increase to existing contracts to support the Video Teleconferencing (VTC) initiative, implementation of Voice over internet protocol (VOIP), the addition of		

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2015 Budget Estimates**

III. Financial Summary (\$ in thousands)

C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
a Communications Security (COMSEC) program manager and an Information Technology (IT) engineer. (FY 2014 Baseline: \$8,138 thousand; +0 FTEs)		
2) Other Intra-Govt Purchases Increase is based on consolidation of multi-functional printers. (FY 2014 Baseline: \$10,158 thousand; +0 FTEs)	801	
3) Disability Compensation Increase in worker's compensation claims. (FY 2014 Baseline: \$1,861 thousand; +0 FTEs)	529	
4) Equipment Maintenance by Contract Increase related to new software maintenance requirements. (FY 2014 Baseline: \$5,478 thousand; +0 FTEs)	435	
5) Supplies & Materials Increase related to FY 2014 DAWDF hired staff. (FY 2014 Baseline: \$3,936 thousand; +0 FTEs)	249	
6) Other Services Increase related to new security systems for 4 Field Audit Offices and training tuition costs for new audit staff. (FY 2014 Baseline: \$2,223 thousand; +0 FTEs)	177	
7) Non-GSA Rent Increase in space requirements resulting from full annual impact of rental payments for Field Detachment. (FY 2014 Baseline: \$1,986 thousand; +0 FTEs)	108	
8) Printing & Reproduction Book printing required for increased training courses to be led by the Institute. (FY 2014 Baseline: \$100	24	

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2015 Budget Estimates**

III. Financial Summary (\$ in thousands)

C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
thousand; +0 FTEs)		
9) Purchased Utilities & Other Costs	7	
Other increases. (FY 2014 Baseline: \$54 thousand; +0 FTEs)		
9. Program Decreases		-18,876
a. Annualization of FY 2014 Program Decreases		
b. One-Time FY 2014 Increases		
c. Program Decreases in FY 2015		
1) Equipment Purchases	-10,400	
In FY 2014, DCAA is planning to purchase additional computers above the normal life cycle replacement quantity to support new hires, and to make up for computers that DCAA was unable to purchase in FY 2013. DCAA also plans to purchase VTC equipment in FY 2014 to support the VTC expansion. (FY 2014 Baseline: \$15,815 thousand; +0 FTEs)		
2) Rental Payments to GSA	-1,985	
Decreased rental costs due to Agency-wide hoteling concept pending union agreement. (FY 2014 Baseline: \$12,993 thousand; +0 FTEs)		
3) Purchased Communications	-1,583	
DCAA is planning to accelerate the implementation of the Enterprise Email in FY 2014. In addition, there are plans to expand our VTC capability, as well as, install new Aruba Wireless routers. (FY 2014 Baseline: \$6,815 thousand; +0 FTEs)		
4) Commercial Transport	-1,582	
Anticipated reduction to CONUS/OCONUS PCS requirements. (FY 2014 Baseline: \$2,444 thousand; +0 FTEs)		

**Defense Contract Audit Agency
 Operation and Maintenance, Defense-Wide
 Fiscal Year (FY) 2015 Budget Estimates**

III. Financial Summary (\$ in thousands)

C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
5) Facilities Reduction to facilities improvement projects. (FY 2014 Baseline: \$2,968 thousand; +0 FTEs)	-1,219	
6) DFAS Financial Operations Decrease in DFAS Operations support costs based on anticipated transition to DAI. (FY 2014 Baseline: \$5,056 thousand; +0 FTEs)	-1,200	
7) Personnel Compensation Reduction associated with hiring lower grades in FY 2014. (FY 2014 Baseline: \$468,469 thousand; +0 FTEs)	-845	
8) Travel of Persons Reduced travel requirements for training travel. (FY 2014 Baseline: \$14,622 thousand; +0 FTEs)	-51	
9) Permanent Change of Station Anticipated reduction to CONUS/OCONUS PCS requirements. (FY 2014 Baseline: \$2,485 thousand; +0 FTEs)	-11	
FY 2015 Budget Request		556,493

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2015 Budget Estimates**

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.

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

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2015 Budget Estimates**

IV. Performance Criteria and Evaluation Summary:

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 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 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.

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2015 Budget Estimates**

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 may change for FY 2014 and 2015. Detailed descriptions are provided for each of the existing measures.

<u>Notes</u>	<u>Audit Performance Measures</u>	<u>FY 2013 Actual</u>	<u>FY 2014 Objective (Est.)</u>	<u>FY 2015 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	64%	Exceed FY 2013	Exceed FY 2014
3	Quantitative Methods Usage	31%	TBD	TBD
4	CPE Requirements	100%	100%	100%
	<u>Timeliness Measures:</u>			
5	Forward Pricing Audits Issued by Original Due Date	45%	Exceed FY 2013	Exceed FY 2014
6	Incurred Cost Years Completed	6,704	Exceed FY 2013	TBD
	<u>Efficiency Measure:</u>			
7	Cost per Direct Audit Hour	\$128.50	TBD	TBD

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2015 Budget Estimates**

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 (peer 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. DCAA's peer review is in process and will be completed during FY 2014.

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

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2015 Budget Estimates**

IV. Performance Criteria and Evaluation Summary:

are not appropriate. The FY 2014 and 2015 goals for this measure have not yet been established but are expected to be at or above the level of the previous year.

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. At least 20 hours must be completed in each year of the two-year period. 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 2014 and 2015 goals have 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

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2015 Budget Estimates**

IV. Performance Criteria and Evaluation Summary:

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 2014 and 2015 goals have not yet been established.

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2015 Budget Estimates**

V. <u>Personnel Summary</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>Change FY 2013/ FY 2014</u>	<u>Change FY 2014/ FY 2015</u>
<u>Civilian End Strength (Total)</u>	4,827	4,864	4,695	37	-169
U.S. Direct Hire	4,826	4,863	4,694	37	-169
Foreign National Direct Hire	1	1	1	0	0
Total Direct Hire	4,827	4,864	4,695	37	-169
Memo: Reimbursable Civilians Included	460	462	463	2	1
<u>Civilian FTEs (Total)</u>	4,704	4,667	4,668	-37	1
U.S. Direct Hire	4,703	4,666	4,667	-37	1
Foreign National Direct Hire	1	1	1	0	0
Total Direct Hire	4,704	4,667	4,668	-37	1
Memo: Reimbursable Civilians Included	460	462	463	2	1
Average Annual Civilian Salary (\$ in thousands)	111.1	112.5	113.5	1.4	1.0
 <u>Contractor FTEs (Total)</u>	 54	 62	 51	 8	 -11
 Defense Acquisition Workforce Development Fund (DAWDF) and Overseas Contingency Operations (OCO) Personnel Summary	 <u>FY 2013</u>	 <u>FY 2014</u>	 <u>FY 2015</u>	 <u>Change FY 2013/ FY 2014</u>	 <u>Change FY 2014/ FY 2015</u>
DAWDF End Strength (Total)	80	154	150	74	-4
DAWDF FTEs (Total)	187	137	150	-50	13
DAWDF Sustained FTEs	417	608	654	191	46
OCO FTEs (Total)	201	189	0	-12	-189
Overtime FTEs (Total)	16	0	0	-16	0

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2015 Budget Estimates**

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

<u>OP 32 Line</u>	<u>FY 2013</u> <u>Actual</u>	<u>Change</u> <u>FY 2013/FY 2014</u>		<u>FY 2014</u> <u>Estimate</u>	<u>Change</u> <u>FY 2014/FY 2015</u>		<u>FY 2015</u> <u>Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
101 Exec, Gen'l & Spec Scheds	468,070	3,511	-3,178	468,403	4,684	-849	472,238
103 Wage Board	47	0	1	48	0	0	48
104 FN Direct Hire (FNDH)	73	1	-8	66	1	4	71
111 Disability Compensation	2,060	0	-199	1,861	0	529	2,390
121 PCS Benefits	1,091	0	1,394	2,485	0	-11	2,474
199 Total Civ Compensation	471,341	3,512	-1,990	472,863	4,685	-327	477,221
308 Travel of Persons	11,774	223	2,625	14,622	263	-51	14,834
399 Total Travel	11,774	223	2,625	14,622	263	-51	14,834
696 DFAS Financial Operation (Other Defense Agencies)	3,866	503	687	5,056	89	-1,200	3,945
699 Total DWCF Purchases	3,866	503	687	5,056	89	-1,200	3,945
771 Commercial Transport	1,004	19	1,421	2,444	44	-1,582	906
799 Total Transportation	1,004	19	1,421	2,444	44	-1,582	906
912 Rental Payments to GSA (SLUC)	12,632	240	121	12,993	234	-1,985	11,242
913 Purchased Utilities (Non-Fund)	47	1	3	51	1	5	57
914 Purchased Communications (Non-Fund)	4,918	94	1,803	6,815	123	-1,583	5,355
915 Rents (Non-GSA)	1,071	20	895	1,986	36	108	2,130
917 Postal Services (U.S.P.S)	1	0	-1	0	0	22	22
920 Supplies & Materials (Non-Fund)	1,896	36	2,004	3,936	71	227	4,234
921 Printing & Reproduction	30	1	69	100	2	24	126
922 Equipment Maintenance By Contract	4,380	83	1,015	5,478	99	435	6,012
923 Facilities Sust, Rest, & Mod by Contract	1,018	19	1,931	2,968	53	-1,219	1,802
925 Equipment Purchases (Non-Fund)	1,263	24	14,528	15,815	285	-10,400	5,700
960 Other Costs (Interest and Dividends)	1	0	2	3	0	2	5
987 Other Intra-Govt Purch	8,653	164	1,341	10,158	183	801	11,142
989 Other Services	1,415	27	781	2,223	40	177	2,440
990 IT Contract Support Services	9,230	175	-1,267	8,138	146	1,036	9,320

Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2015 Budget Estimates

<u>OP 32 Line</u>	FY 2013	Change		FY 2014	Change		FY 2015
	<u>Actual</u>	<u>FY 2013/FY 2014</u>		<u>Estimate</u>	<u>FY 2014/FY 2015</u>		<u>Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
999 Total Other Purchases	46,555	884	23,225	70,664	1,273	-12,350	59,587
Total	534,540	5,141	25,968	565,649	6,354	-15,510	556,493

* The FY 2013 Actual column **includes** \$28,436 thousand of FY 2013 OCO Appropriations funding (PL 113-6).

* The FY 2014 Estimate column **excludes** \$27,781 thousand of FY 2014 Overseas Contingency Operations Appropriations funding (PL 113-76).

* The FY 2015 Estimate **excludes** OCO.