

**Fiscal Year (FY) 2019 President's Budget
Operation and Maintenance, Defense-Wide
Defense Contract Audit Agency**



February 2018

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**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2019 President's Budget**

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

	FY 2017 <u>Actuals</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2018 <u>Estimate</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2019 <u>Estimate</u>
DCAA	621,115	11,366	-34,645	597,836	4,347	23,450	625,633

* The FY 2017 Actual column includes \$12,986.0 thousand of FY 2017 Overseas Contingency Operations (OCO) Appropriations Funding (PL 115-31).

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

* The FY 2019 Estimate column excludes \$1,781.0 thousand of FY 2019 OCO Appropriations funding.

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

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

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I. Description of Operations Financed (cont.)

DCAA auditors examine contractor accounts, records, and business systems to evaluate whether contractor business practices and procedures are in compliance with the Federal Acquisition Regulation (FAR), the Defense Federal Acquisition Regulation Supplement (DFARS), Cost Accounting Standards (CAS), and other applicable government laws and regulations. DCAA has no direct role in determining which companies are awarded defense contracts; rather, it provides recommendations to government officials on contractor cost assertions regarding specific products and services. With these recommendations, contracting officers are better able to negotiate prices and settle contracts for major weapons systems, services, and supplies. DCAA currently has oversight of approximately 9,100 active contractors. In a typical year, DCAA engages in audits with around 4,900 contractors, examining approximately \$200 billion in contract costs, and issuing about 4,000 audit reports.

In FY 2019, DCAA will be executing its entire portfolio of audit work including incurred cost, forward pricing, terminations and claims, business systems, Cost Accounting Standards (CAS), Voucher Payments and Truth in Negotiation (TiN) compliance audits. Focusing on our entire portfolio of audit work enables us to fulfill our role in the financial oversight of government contracts and is critical to ensuring DoD gets the best value for every dollar spent on defense contracting. DCAA will continue efforts to maintain a reasonable incurred cost inventory in order 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). DCAA will also begin to transition its workload to the Department's higher-risk, higher-return audits with the assistance of qualified private auditors on incurred cost audits based on the 2018 National Defense Authorization Act (NDAA).

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I. Description of Operations Financed (cont.)

DCAA's FY 2017 Financial Statements received an unmodified opinion from independent public auditors. DCAA has maintained an unmodified audit opinion since FY 2000.

The DCAA continues to return savings to the Government that far exceed the cost of its operations. In FY 2017, the Agency audited over \$226 billion of costs incurred on contracts and issued about 761 forward pricing proposal audit reports amounting to about \$51 billion. Approximately \$3.5 billion in net savings were reported because of the audit findings. The return on taxpayers' investment is approximately \$5.20 for each dollar invested in the Agency (\$670 million in FY 2017, including reimbursables).

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

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

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

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I. Description of Operations Financed (cont.)

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 a top priority.

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

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

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

e. Responses to Requests for Specific Cost Information. This effort includes providing specific cost information to procurement officials on labor rates, overhead

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I. Description of Operations Financed (cont.)

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 examinations of direct labor and material costs and indirect expenses. It also provides insight on the function of the contractor business systems and related internal controls. Although the primary purpose of incurred cost audits is to express an opinion on the acceptability of costs claimed under Government contracts, knowledge of contractors' accounting and other business systems gained during these audits is helpful to the evaluation of contractors' price proposals.

In FY 2019, DCAA will maintain a reasonable incurred cost inventory in order 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). DCAA will also begin to transition its workload to the Department's higher-risk, higher-return audits with the assistance of qualified private auditors on incurred cost audits based on the 2018 NDAA.

3. Operations Audits. DCAA performs a variety of economy and efficiency audits of contractor operations. DCAA operations audits are systematic reviews of contractor

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I. Description of Operations Financed (cont.)

organizational units and functions to evaluate the reasonableness of methods and practices employed on Government contracts.

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

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

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

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I. Description of Operations Financed (cont.)

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

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

b. Corporate Audit Directorate. DCAA extended the success of its Contract Audit Coordinator (CAC) program into a Corporate Audit Directorate (CAD) structure. We now have seven of the largest contractors organized into four CADs whose accounting functions, operations, and contract performance occur at multiple locations under the audit cognizance of multiple DCAA field offices, but are now under one DCAA management hierarchy. The CAD structure enables effective communications and audit coordination at these contractor locations allowing information to be effectively disseminated, problem areas to be monitored to ensure uniform resolution, and enables coordination with other DCAA personnel, contractor representatives, and cognizant procurement officials on issues affecting multiple locations.

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

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

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

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

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8. **Field Support.** This category includes support personnel assigned to four regional offices, four CADs, the Defense Contract Audit Institute, the Office of Information Technology, and Technical Audit Services Division.

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

b. Defense Contract Audit Institute (DCAI). DCAI develops and delivers training for approximately 4,500 contract auditors and is an affiliated member of the Defense Acquisition University. DCAI directs and controls the development and delivery of classroom courses, seminars, computer-based self-study courses, and internet-based, instructor-led courses. DCAI has program management responsibility for DCAA training and career development including ensuring the workforce obtains DoD Acquisition and Financial Management certification requirements. It assures that programs of instruction, courses, and training materials meet DoD, GAGAS, and National Association of State Boards of Accountancy (NASBA) standards. DCAI provides training and education policy guidance, and 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. Programs provided by DCAI include audit, leadership, and supervisory training.

c. Office of Information Technology (OIT). OIT is responsible for the design, development, and maintenance of Agency-specific automated information systems (AIS), web applications, and audit software. It employs a computer hardware acquisition strategy/plan to satisfy AIS and personal computing requirements. It is also responsible for operating the Agency-wide communications infrastructure, monitoring network

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I. Description of Operations Financed (cont.)

performance, managing DCAA's information assurance program, and establishing and implementing policy and standards for IT systems and services.

d. Technical Audit Services Division (OTS). OTS conducts research and distributes information to the field on operations audits, quantitative audit techniques, computer assisted audit techniques, and other auditing topics that have Agency-wide application. OTS also provides technical assistance to auditors in planning reviews of contractor's electronic data processing systems and engineering operations and supports field offices in the implementation of DoD electronic commerce initiatives.

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

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

II. Force Structure Summary:

Not Applicable.

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III. Financial Summary (\$ in thousands)

A. BA Subactivities	FY 2017 Actuals	Budget Request	FY 2018			Current Estimate	FY 2019 Estimate
			Congressional Action				
			Amount	Percent	Appropriated		
1. Audit Institute	11,408	9,787	0	0.0	0	9,787	11,698
DCAA Communications	0	9	0	0.0	0	9	0
DCAA Operations	11,408	9,778	0	0.0	0	9,778	11,698
2. Audit Operations	609,707	588,049	0	0.0	0	588,049	613,935
DCAA Communications	5,228	10,135	0	0.0	0	10,135	5,583
DCAA Major Headquarters	37,156	43,787	0	0.0	0	43,787	42,692
DCAA Operations	567,323	534,127	0	0.0	0	534,127	565,660
Total	621,115	597,836	0	0.0	0	597,836	625,633

* The FY 2017 Actual column includes \$12,986.0 thousand of FY 2017 Overseas Contingency Operations (OCO) Appropriations Funding (PL 115-31).

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

* The FY 2019 Estimate column excludes \$1,781.0 thousand of FY 2019 OCO Appropriations funding.

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III. Financial Summary (\$ in thousands)

B. <u>Reconciliation Summary</u>	Change	Change
	<u>FY 2018/FY 2018</u>	<u>FY 2018/FY 2019</u>
Baseline Funding	597,836	597,836
Congressional Adjustments (Distributed)		
Congressional Adjustments (Undistributed)		
Adjustments to Meet Congressional Intent		
Congressional Adjustments (General Provisions)		
Subtotal Appropriated Amount	597,836	
Fact-of-Life Changes (2018 to 2018 Only)		
Subtotal Baseline Funding	597,836	
Supplemental	9,853	
Reprogrammings		
Price Changes		4,347
Functional Transfers		
Program Changes		23,450
Current Estimate	607,689	625,633
Less: Wartime Supplemental	-9,853	
Normalized Current Estimate	597,836	

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	<u>Amount</u>	<u>Totals</u>
C. <u>Reconciliation of Increases and Decreases</u>		
FY 2018 President's Budget Request (Amended, if applicable)		597,836
1. Congressional Adjustments		
a. Distributed Adjustments		
b. Undistributed Adjustments		
c. Adjustments to Meet Congressional Intent		
d. General Provisions		
FY 2018 Appropriated Amount		597,836
2. War-Related and Disaster Supplemental Appropriations		9,853
a. OCO Supplemental Funding		
1) FY 2018 Defense-Wide Overseas Contingency Operations	9,853	
3. Fact-of-Life Changes		
FY 2018 Baseline Funding		607,689
4. Reprogrammings (Requiring 1415 Actions)		
Revised FY 2018 Estimate		607,689
5. Less: Item 2, War-Related and Disaster Supplemental Appropriations and Item 4, Reprogrammings		-9,853
FY 2018 Normalized Current Estimate		597,836
6. Price Change		4,347
7. Functional Transfers		
8. Program Increases		47,323
a. Annualization of New FY 2018 Program		
b. One-Time FY 2019 Increases		
c. Program Growth in FY 2019		
1) Other Services	34,200	
Increase is due to the addition of qualified private auditors in accordance with the 2018 NDAA, Section 803. (FY 2018 Baseline: \$0 thousand; +0 FTEs)		
2) Personnel Compensation	7,423	
Increase in program funding requirements is due to an		

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<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
increase in annual average salary costs which aligns execution with FY 2017 actuals and an increase of 6 FTEs to support high risk audit requirements. (FY 2018 Baseline: \$467,424 thousand; +6 FTEs)		
3) IT Contract Support Services Increase due to separating network and help desk IT services and reverting to separate contracts. Previous year consolidation did not yield expected quality results. (FY 2018 Baseline: \$7,597 thousand; +0 FTEs)	3,434	
4) Extra Compensable Day Additional FY 2019 paid day. (FY 2018 Baseline: \$467,424 thousand)	1,907	
5) Supplies & Materials Increased supplies and materials cost per FTE based on historical execution. (FY 2018 Baseline: \$1,072 thousand; +0 FTEs)	230	
6) Rents (Non-GSA) Increase associated with adjustments between GSA rents and non-GSA rents. (FY 2018 Baseline: \$2,308 thousand; +0 FTEs)	129	
9. Program Decreases		-23,873
a. Annualization of FY 2018 Program Decreases		
b. One-Time FY 2018 Increases		
c. Program Decreases in FY 2019		
1) Equipment Purchases The decrease is due to the deferment of annual tech refresh of laptops and furniture purchases. (FY 2018 Baseline: \$5,562 thousand)	-4,965	

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<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
2) Purchased Communications The decrease is due to the reduction of Department Information Technology and Contracting Organization (DITCO) requirements associated with long distance services and regional commercial communication. (FY 2018 Baseline: \$10,144 thousand)	-4,744	
3) Other Intra-Government Purchases Decrease due to the reduction of Department of Health and Human Services assist audit services, and reduction to printer support and maintenance costs. (FY 2018 Baseline: \$11,377 thousand; +0 FTEs)	-4,641	
4) Personnel Compensation Decrease reflects the Secretary's of Defense direction to reduce Major DoD Headquarters Activities (MHA) funding by 25% through FY 2020, and to comply with section 346 of the FY 2016 NDAA (PL 114-92) to provide a plan for streamlining DoD major headquarters. (FY 2018 Baseline: \$38,781 thousand; - 18 FTEs)	-2,147	
5) Commercial Transport The decrease is due to reduction in PCS requirements and the deferment facilities projects (transport of equipment). (FY 2018 Baseline: \$2,102 thousand; +0 FTEs)	-1,610	
6) Equipment Maintenance by Contract Decrease resulting in reduced requirements in software maintenance. (FY 2018 Baseline: \$10,439 thousand)	-1,506	
7) Facilities Sust, Rest & Mod by Contract	-1,122	

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<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
The decrease is due to the deferment of facilities renovations. (FY 2018 Baseline: \$1,643 thousand)		
8) PCS Benefits	-841	
Decreased PCS travel associated with projected requirements. (FY 2018 Baseline: \$1,551 thousand; +0 FTEs)		
9) DFAS Financial Operations	-798	
Decreased costs due to elimination of DFAS System support costs for DBMS legacy accounting system. (FY 2018 Baseline: \$5,275 thousand; +0 FTEs)		
10) Rental Payments to GSA	-545	
Reduction due to realignment between GSA and non-GSA rents as well as reduction of GSA leased space. (FY 2018 Baseline: \$14,435 thousand; +0 FTEs)		
11) Disability Compensation	-383	
Reduction due to updated US Department of Labor Worker's Compensation bill. (FY 2018 Baseline: \$1,907 thousand; +0 FTEs)		
12) Other Services	-343	
Decrease due to reduction in training requirements. (FY 2018 Baseline: \$2,765 thousand)		
13) Travel	-159	
Decrease associated with the reduction of 12 FTEs. (FY 2018 Baseline: \$13,256 thousand; +0 FTEs)		
14) Printing and Reproduction	-59	
The reduction is due to a reduced requirement in reproduction services. (FY 2018 Baseline: \$72 thousand)		
15) Purchased Utilities	-8	

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C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
The decrease is due to a reduction in regional utilities requirements. (FY 2018 Baseline: \$122 thousand)		
16) Other Costs	-2	
Reduction is due to a reduction in projected interest costs. (FY 2018 Baseline: \$4 thousand)		
FY 2019 Budget Request		625,633

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IV. Performance Criteria and Evaluation Summary:

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

Performance Based Measures

Overview. As a key defense acquisition 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 83 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, Navy, Air Force, and the Defense Contract Management Agency. Audit services provided by DCAA are key to making contract decisions; they help contracting officers ensure that DoD components obtain the best value from the goods and services they purchase.

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

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IV. Performance Criteria and Evaluation Summary:

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

DCAA Mission

As a key member of the government acquisition team, we are dedicated stewards of taxpayer dollars who deliver high quality contract audits and services to ensure that warfighters get what they need at fair and reasonable prices. Our mission statement clarifies our commitment to getting the most value for every dollar spent on defense contracts.

DCAA Vision

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

DCAA Strategic Plan Goals

Goal 1: Embody a culture of One Agency, One Team, One Direction.

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

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IV. Performance Criteria and Evaluation Summary:

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

Goal 4: Enhance working relationships with DCAA external stakeholders.

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

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IV. Performance Criteria and Evaluation Summary:

Summary of Performance Based Measures. The chart below summarizes our Audit Performance Measures. DCAA continues to reassess its performance measures to develop measurements that more closely align with the Strategic Plan. As a result, the audit performance measures discussed below may change for FY 2019. Detailed descriptions are provided for each of the existing measures.

	<u>FY 2017</u> <u>Actual</u>	<u>FY 2018</u> <u>Objective</u>	<u>FY 2019</u> <u>Objective</u>	
<u>Audit Performance Measures</u>				
<u>Workforce Environment Measures:</u>				
1	Federal Employee Viewpoint Survey - Response Rate	72%	75%	75%
<u>Quality Related Measures:</u>				
2	DCAA QA Review Results - Audits Performed in Accordance with GAGAS	73%	Exceed FY 2017 Rate	Exceed FY 2018 Rate
<u>Timeliness Measures:</u>				
3	Incurring Cost Aging (Months)	14.3 months	12 months	12 months
4	Forward Pricing Audits Issued by Original Due Date	78%	80%	80%
<u>Efficiency Measures:</u>				
5	Incurring Cost Years Closed	6,786	4,000	4,000
6	Increase in Business System/Postaward Audits Completed	188	188	207

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IV. Performance Criteria and Evaluation Summary:

Description of Performance Measures:

1. Federal Employee Viewpoint Survey - Response Rate. The DCAA uses this measure to assess the extent of employee engagement. The response rate is an indication of employee engagement, desire to play a part in continuing improvement, and belief that leadership will listen and act. The response rate represents the percent of employees that complete the survey compared to the total universe of employees surveyed.
2. DCAA Quality Assurance (QA) Review Results - Audits performed in accordance with GAGAS. The DCAA uses this measure to validate the quality of audits completed. DCAA's Quality Assurance organization performs these reviews and evaluates whether they are performed in accordance with GAGAS. Our goal is to increase the percentage of audits passing the QA Review each cycle.
3. Incurred Cost Aging (Months). The DCAA uses this measure to gauge the currency of its inventory of contractor fiscal year incurred cost submissions on hand. For contractor incurred cost years not closed affecting DoD contracts and subcontracts, this is a measure of the average number of months from receipt of an adequate submission, or from initial receipt of submissions pending adequacy review. The DCAA goal is to continue closing all previously submitted incurred cost submissions and begin closing incurred cost submissions within 12 months of the identification of an adequate submission in accordance with the 2018 NDAA.
4. Percent of forward-pricing proposal audit reports issued by the original agreed-to due date. Contracting officers in the process of negotiating prices for new contracts request audit advice on the reasonableness of the contractor's proposed prices from DCAA. DCAA's ability to provide these audit services in a timely manner is critical to the timely

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IV. Performance Criteria and Evaluation Summary:

awarding of contracts. We measure 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.

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

6. Increase in Business System/Postaward Audits Completed. In FY 2019, DCAA will begin to transition its workload to the Department's higher-risk, higher-return audits with the assistance of qualified public accountants on incurred cost audits based on the 2018 NDAA. Accordingly, DCAA will increase its efforts in the high-risk audit areas of business systems and postaward audits. Business system audits evaluate contractor systems to assess if the systems generate accurate and reliable data for contracting officers to use in determining fair and reasonable prices. Postaward audits evaluate contractor compliance with the Truth in Negotiations Act to ensure contractors provided contracting officers the most current, accurate and complete data at the time of negotiations.

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V. <u>Personnel Summary</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	Change FY 2017/ <u>FY 2018</u>	Change FY 2018/ <u>FY 2019</u>
<u>Civilian End Strength (Total)</u>	4,531	4,617	4,412	86	-205
U.S. Direct Hire	4,289	4,241	4,183	-48	-58
Total Direct Hire	4,289	4,241	4,183	-48	-58
Reimbursable Civilians	242	376	229	134	-147
<u>Civilian FTEs (Total)</u>	4,257	4,583	4,424	326	-159
U.S. Direct Hire	4,015	4,207	4,195	192	-12
Total Direct Hire	4,015	4,207	4,195	192	-12
Reimbursable Civilians	242	376	229	134	-147
Average Annual Civilian Salary (\$ in thousands)	123.8	121.1	123.5	-2.7	2.4
 <u>Contractor FTEs (Total)</u>	 <u>74</u>	 <u>71</u>	 <u>302</u>	 <u>-3</u>	 <u>231</u>

*FY 2019 reflects a correction that increases 210 CFTEs as a result of the qualified private auditors requirements that will not be reflected in the Contractor Services (CS-1) exhibit.

Defense Acquisition Workforce Development Fund (DAWDF) and Overseas Contingency Operations (OCO) Personnel Summary	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	Change FY 2017/ <u>FY 2018</u>	Change FY 2018/ <u>FY 2019</u>
DAWDF End Strength (Total)	101	221	150	120	-71
DAWDF FTEs (Total)	141	249	103	108	-146
OCO FTEs (Total)	56	68	0	12	-68

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

<u>OP 32 Line</u>	<u>FY 2017</u> <u>Actuals</u>	<u>Change</u> <u>FY 2017/FY 2018</u>		<u>FY 2018</u> <u>Estimate</u>	<u>Change</u> <u>FY 2018/FY 2019</u>		<u>FY 2019</u> <u>Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
101 Exec, Gen'l & Spec Scheds	494,339	9,506	2,297	506,142	2,581	7,182	515,905
103 Wage Board	64	1	-2	63	0	1	64
104 FN Direct Hire (FNDH)	4	0	-4	0	0	0	0
111 Disability Compensation	1,907	0	0	1,907	0	-383	1,524
121 PCS Benefits	697	0	854	1,551	0	-841	710
199 Total Civ Compensation	497,011	9,507	3,145	509,663	2,581	5,959	518,203
308 Travel of Persons	14,714	248	-1,706	13,256	239	-159	13,336
399 Total Travel	14,714	248	-1,706	13,256	239	-159	13,336
696 DFAS Financial Operation (Other Defense Agencies)	5,565	-68	-222	5,275	272	-798	4,749
699 Total DWCF Purchases	5,565	-68	-222	5,275	272	-798	4,749
771 Commercial Transport	1,451	25	626	2,102	38	-1,610	530
799 Total Transportation	1,451	25	626	2,102	38	-1,610	530
912 Rental Payments to GSA (SLUC)	13,339	227	869	14,435	260	-545	14,150
913 Purchased Utilities (Non-Fund)	125	2	-5	122	2	-8	116
914 Purchased Communications (Non-Fund)	5,228	89	4,827	10,144	183	-4,744	5,583
915 Rents (Non-GSA)	2,251	38	19	2,308	42	129	2,479
920 Supplies & Materials (Non-Fund)	2,030	35	-993	1,072	19	230	1,321
921 Printing & Reproduction	12	0	60	72	1	-59	14
922 Equipment Maintenance By Contract	10,071	171	197	10,439	188	-1,506	9,121
923 Facilities Sust, Rest, & Mod by Contract	360	6	1,277	1,643	30	-1,122	551
925 Equipment Purchases (Non-Fund)	5,342	91	129	5,562	100	-4,965	697
960 Other Costs (Interest and Dividends)	0	0	4	4	0	-2	2
987 Other Intra-Govt Purch	49,193	750	-38,566	11,377	205	-4,641	6,941
989 Other Services	3,251	55	-541	2,765	50	33,857	36,672
990 IT Contract Support Services	11,172	190	-3,765	7,597	137	3,434	11,168

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<u>OP 32 Line</u>	FY 2017	Change		FY 2018	Change		FY 2019
	<u>Actuals</u>	<u>FY 2017/FY 2018</u>		<u>Estimate</u>	<u>FY 2018/FY 2019</u>		<u>Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
999 Total Other Purchases	102,374	1,654	-36,488	67,540	1,217	20,058	88,815
Total	621,115	11,366	-34,645	597,836	4,347	23,450	625,633

* The FY 2017 Actual column includes \$12,986.0 thousand of FY 2017 Overseas Contingency Operations (OCO) Appropriations Funding (PL 115-31).

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

* The FY 2019 Estimate column excludes \$1,781.0 thousand of FY 2019 OCO Appropriations funding.

* The FY 2019 Estimate column reflects an adjustment between line items 987 and 989 of \$34,200.0 thousand for the qualified private auditors requirements. This line item adjustment will not be reflected in other budget exhibits.