

# Fiscal Year (FY) 2005 Budget Estimates

## Defense Contract Audit Agency

(DCAA)



February 2004

DEFENSE CONTRACT AUDIT AGENCY  
Operations And Maintenance, Defense-Wide  
Fiscal Year (FY) 2005 Budget Estimates  
APPROPRIATION HIGHLIGHTS  
(Dollars in Millions)

	FY 2003*	<i>Price Change</i>	<i>Program Change</i>	FY 2004**	<i>Price Change</i>	<i>Program Change</i>	FY 2005 Estimate
(Dollars in Millions)							
Appropriation Summary:	352.9	15.3	(7.4)	360.9	9.7	2.8	373.4
Budget Activity 4: Administration and Servicewide Activities	347.8	15.1	(7.3)	355.7	9.6	2.8	368.1
Budget Activity 3: Training and Recruiting	5.1	0.2	(0.1)	5.2	0.1	-	5.3

\* Fiscal Year (FY) 2003 includes \$2.2 million for Operation Iraqi Freedom.

\*\* Fiscal Year (FY) 2004 excludes Operation Iraqi Freedom Supplemental funding of \$8.0 million.

**Description of Operations Financed:**

**Budget Activity 4**

The Defense Contract Audit Agency (DCAA) provides 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. DCAA responds to specific acquisition official requests for services across the entire spectrum of contract financial and business matters and performs recurring audit work required to monitor cost performance and approve contract payments.

Contract audit services produce savings to the Government that far exceed the cost of DCAA operations. In FY 2003, DCAA reported \$2.234 billion in net savings resulting from audits of \$98.5 billion of incurred cost and reviews of forward pricing proposals (9,829 proposals valued at \$120.4 billion), yielding **\$5.50 in return on taxpayers' investment for each dollar** of DCAA's operating costs (\$405 million).

**DEFENSE CONTRACT AUDIT AGENCY**  
**Operations And Maintenance, Defense-Wide**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**APPROPRIATION HIGHLIGHTS**  
(Dollars in Millions)

**Budget Activity 3**

The Defense Contract Audit Institute (DCAI), an element of the Defense Contract Audit Agency, develops and delivers training for approximately 3,400 auditors in the contract auditing field and is an affiliated member of the Defense Acquisition University. The Institute:

- directs and controls the development and delivery of classroom courses, one and two-day seminars, and computer based self-study courses. Development of new classroom courses, seminars, and self-study courses, as well as maintenance of established courses, is a key responsibility.
- has program management responsibility for training and career development in the Defense Contract Audit Agency. It assures that programs of instruction, courses, and training materials meet DoD standards and Generally Accepted Government Auditing Standards (GAGAS).
- 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.
- produces videos to support training and for the Agency to provide basic information or highlight current events.

The Institute, located on the south campus of the University of Memphis, also serves as a meeting center for DCAA. The Institute is co-located with the DCAA Information Technology Division and Technical Audit Services Center in Memphis, Tennessee.

**DEFENSE CONTRACT AUDIT AGENCY**  
**Operation and Maintenance, Defense-Wide**  
**Summary Of Increases and Decreases**  
**Fiscal Year (FY) FY 2005 Budget Estimates**  
**(Dollars in Thousands)**

	<u>BA-3</u>	<u>BA-4</u>	<u>Total</u>
<b>FY 2004 President's Budget Request</b>	5,517	359,011	364,528
<b>1. Congressional Adjustment(s)</b>			
a) Distributed Adjustment			
b) Undistributed Adjustment(s)			
c) General Provisions			
i) Section 8094 - Support Services		-2,044	-2,044
ii) Section 8101 - Cost Growth IT		-180	-180
iii) Section 8126 - Management Efficiencies		-1,742	-1,742
d) Congressional Earmarks - Indian Lands Environmental Impact		-224	-224
<b>FY 2004 Appropriated Amount (subtotal)</b>	<b>5,517</b>	<b>354,821</b>	<b>360,338</b>
<b>2. Emergency Supplemental</b>		<b>8,009</b>	<b>8,009</b>
a) Emergency Supplemental Funding Carryover			
b) FY 2004 Emergency Supplemental Appropriations Act (P.L. 108-106)			
DCAA is providing contract audit support on reconstruction and humanitarian efforts to all DoD components, as well as US AID and the Army Corps of Engineers.			
<b>3. Fact-of-Life Changes</b>	<b>-317</b>	<b>867</b>	<b>550</b>
a) Functional Transfers			

DEFENSE CONTRACT AUDIT AGENCY  
 Operation and Maintenance, Defense-Wide  
 Summary Of Increases and Decreases  
 Fiscal Year (FY) FY 2005 Budget Estimates  
 (Dollars in Thousands)

	BA-3	BA-4	Total
b) Technical Adjustments			
1) Increases			
a) Price Change for change to pay raise (FY 03: 3.1%-4.1%)	29	2,843	2,872
b) Price Change for change to pay raise (FY 04: 2.0%-4.1%)	50	4,590	4,640
c) Transfer from Budget Activity 3 to adjust for FY 2003 actuals and revised FY 2004 requirements	-317	317	-
d) Internal reprogramming from RDT&E		550	550
2) Decreases			
Reduction for change in pay raise - communications, supplies and materials, equipment and other support costs	-79	-7,433	-7,512
c) Emergent Requirements			
<b>Baseline Funding</b>	<b>5,200</b>	<b>363,697</b>	<b>368,897</b>
<b>4. Reprogrammings (Requiring 1415 Actions)</b>			
<b>Revised FY 2004 Estimate</b>	<b>5,200</b>	<b>363,697</b>	<b>368,897</b>
<b>5. Less: Emergency Supplemental Funding</b>		<b>-8,009</b>	<b>-8,009</b>
<b>Normalized Current Estimate for FY 2004</b>	<b>5,200</b>	<b>355,688</b>	<b>360,888</b>
<b>6. Price Change</b>	<b>99</b>	<b>9,635</b>	<b>9,734</b>
<b>7. Functional Transfers</b>			

**DEFENSE CONTRACT AUDIT AGENCY**  
**Operation and Maintenance, Defense-Wide**  
**Summary Of Increases and Decreases**  
**Fiscal Year (FY) FY 2005 Budget Estimates**  
**(Dollars in Thousands)**

	<u>BA-3</u>	<u>BA-4</u>	<u>Total</u>
<b>8. Other Transfers (Non-Functional Transfers)</b>			
<b>9. Program Increases</b>	<b>10</b>	<b>6,070</b>	<b>6,080</b>
a) Annualization of New FY 2004 Program			
b) One-Time FY 2005 Costs			
c) Program Growth in FY 2005			
1) Increase of 32 Direct workyears previously dedicated to Iraq support		2,780	2,780
2) Increase of 26 Direct workyears - this includes overall workyear increase of 11 from 3982 to 3993 plus 15 workyears previously dedicated to reimbursable workload		2,259	2,259
3) Increase in DoL Worker's Compensation Estimate		191	191
4) Increase in Travel		443	443
5) Increase in Communications		96	96
6) Other program growth	10	301	311
<b>10. Program Decreases</b>	<b>-13</b>	<b>-3,274</b>	<b>-3,287</b>
a) One-Time FY 2005 Costs			
b) Program Decreases in FY 2005			
1) One less paid day	-13	-1,143	-1,156
2) Decrease in planned IT purchases and other support costs to support workyear requirements		-2,131	-2,131
<b>FY 2005 Budget Request</b>	<b>5,296</b>	<b>368,119</b>	<b>373,415</b>

DEFENSE CONTRACT AUDIT AGENCY  
Operations and Maintenance, Defense-Wide  
Fiscal Year (FY) 2005 Budget Estimates  
Manpower Changes in Full-time Equivalent  
FY 2003 through FY 2005

	<u>U.S. Direct Hire</u>	<u>Foreign National</u>		<u>Total</u>
		<u>Direct Hire</u>	<u>Indirect Hire</u>	
1. FY 2003 Full-Time Equivalents (Authorized)	4,023	1	4	4,028
Civilian Manpower Change	(78)	-	-	(78)
2. FY 2004 Full-Time Equivalents (Authorized)	3,944	1	5	3,950
Civilian Manpower Change	43	-	-	43
3. FY 2005 Full-Time Equivalents (Authorized)	3,987	1	5	3,993
4. FY 2003				4,028
O&M Total				4,028
Direct Funded				3,519
Reimbursable Funded				509
FY 2004				3,950
O&M Total				3,950
Direct Funded				3,419
Reimbursable Funded				531
FY 2005				3,993
O&M Total				3,993
Direct Funded				3,477
Reimbursable Funded				516

**DEFENSE CONTRACT AUDIT AGENCY**  
**Operations and Maintenance, Defense-Wide**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**Manpower Changes in Full-time Equivalent**  
**FY 2003 through FY 2005**

With nominal adjustments in all areas, the principal manpower change results from continued emphasis on incurred cost audits and increased support for special audits related to resolution of contractor claims and terminations, financial capability, and progress payment reviews.



DEFENSE CONTRACT AUDIT AGENCY  
Operations and Maintenance, Defense-Wide  
Fiscal Year (FY) 2005 Budget Estimates  
Personnel Summary

	FY 2003	FY 2004	FY 2005
<u>Civilian End Strength (Total)</u>	<u>4,063</u>	<u>4,033</u>	<u>4,077</u>
U.S. Direct Hire	4,058	4,027	4,071
Foreign National Direct Hire	1	1	1
Total Direct Hire	4,059	4,028	4,072
Foreign National Indirect Hire	4	5	5
(Reimbursable Civilians Included Above (Memo))	509	531	516
<u>Civilian FTEs (Total)</u>	<u>4,028</u>	<u>3,950</u>	<u>3,993</u>
U.S. Direct Hire	4,023	3,944	3,987
Foreign National Direct Hire	1	1	1
Total Direct Hire	4,024	3,945	3,988
Foreign National Indirect Hire	4	5	5
(Reimbursable Civilians Included Above (Memo))	509	531	516

DEFENSE CONTRACT AUDIT AGENCY  
Fiscal Year (FY) 2005 Budget Estimates  
Operation and Maintenance, Defense-Wide

**Agency Summary**

(Dollars in Thousands)

	FY 2003 Actuals	Change From FY 2003 - FY 2004		FY 2004 Estimate	Change From FY 2004 - FY 2005		FY 2005 Estimate
		Price Growth	Program Growth		Price Growth	Program Growth	
<u>CIVILIAN PERSONNEL COMPENSATION</u>							
Executive, General & Special Schedules	298,059	14,334	(6,577)	305,816	8,932	4,240	318,988
Wage Board	82	5	-	87	1	-	88
Foreign National Direct Hire (FNDH)	49	2	-	51	1	-	52
Separation Liability (FNDH)	-	-	-	-	-	-	-
Benefits to Former Employees	58	3	(61)	-	-	-	-
Voluntary Separation Incentive Payments	15	-	52	67	-	(67)	-
Disability Compensation	1,516	-	55	1,571	-	191	1,762
<b>Total Civilian Personnel Compensation</b>	<b>299,779</b>	<b>14,344</b>	<b>(6,531)</b>	<b>307,592</b>	<b>8,934</b>	<b>4,364</b>	<b>320,890</b>
<u>TRAVEL</u>							
Travel of Persons	11,577	141	(629)	11,089	198	443	11,730
<b>Total Travel</b>	<b>11,577</b>	<b>141</b>	<b>(629)</b>	<b>11,089</b>	<b>198</b>	<b>443</b>	<b>11,730</b>
<u>OTHER FUND PURCHASES</u>							
Defense Financing & Accounting Service	1,944	276	(1)	2,219	54	(1)	2,272
<b>Total Purchases</b>	<b>1,944</b>	<b>276</b>	<b>(1)</b>	<b>2,219</b>	<b>54</b>	<b>(1)</b>	<b>2,272</b>
<u>TRANSPORTATION</u>							
Commercial Transportation	534	7	55	596	8	-	604
<b>Total Transportation</b>	<b>534</b>	<b>7</b>	<b>55</b>	<b>596</b>	<b>8</b>	<b>-</b>	<b>604</b>
<u>OTHER PURCHASES</u>							
Rental Payments to GSA (SLUC)	8,655	161	-	8,816	132	1	8,949
Purchased Utilities (Non-Fund)	53	1	(22)	32	1	-	33
Purchased Communications (Non-Fund)	4,056	51	(18)	4,089	58	96	4,243
Rents (Non-GSA)	893	12	166	1,071	15	(1)	1,085
Postal Services (U.S.P.S.)	55	1	64	120	2	-	122
Supplies & Materials (Non-Fund)	4,739	62	1,269	6,070	86	(2,033)	4,123
Printing & Reproduction	-	-	-	-	-	-	-
Equipment Maintenance by Contract	52	1	39	92	1	-	93
Equipment Purchases (Non-Fund)	4,512	59	(4,114)	457	7	11	475
Other Contracts	15,151	200	1,991	17,342	238	(87)	17,493
Other Costs	953	-	350	1,303	-	-	1,303
<b>Total Other Purchases</b>	<b>39,119</b>	<b>548</b>	<b>(275)</b>	<b>39,392</b>	<b>540</b>	<b>(2,013)</b>	<b>37,919</b>
<b>TOTAL</b>	<b>352,953</b>	<b>15,316</b>	<b>(7,381)</b>	<b>360,888</b>	<b>9,734</b>	<b>2,793</b>	<b>373,415</b>

Fiscal Year (FY) 2003 includes \$2,207,000 Operation Iraqi Freedom cost.

Fiscal Year (FY) 2004 does not include Operation Iraqi Freedom supplemental funding of \$8,009,000.

DEFENSE CONTRACT AUDIT AGENCY  
Fiscal Year (FY) 2005 Budget Estimates  
Operation and Maintenance, Defense-Wide

Budget Activity-4 Administration and Servicewide Activities

FY 2004

(Dollars in Thousands)

	FY 2003 Actuals	Foreign Currency		Price Growth		Program Growth	FY 2004 Estimate
		Rate Diff	Percent	Amount			
CIVILIAN PERSONNEL COMPENSATION							
Executive, General & Special Schedules	294,867		4.8%	14,205		(6,696)	302,376
Wage Board	42		7.1%	3		-	45
Foreign National Direct Hire (FNDH)	49		4.1%	2		-	51
Separation Liability (FNDH)	-			-		-	-
Benefits to Former Employees	58			3		(61)	-
Voluntary Separation Incentive Payments	15			-		52	67
Disability Compensation	1,516			-		55	1,571
Total Civilian Personnel Compensation	296,547			14,213		(6,650)	304,110
<u>TRAVEL</u>							
Travel of Persons	<u>11,303</u>		1.2%	<u>137</u>		<u>(631)</u>	<u>10,809</u>
Total Travel	11,303			137		(631)	10,809
OTHER FUND PURCHASES							
Defense Financing & Accounting Service	1,916		14.2%	272		-	2,188
Total Purchases	1,916			272		-	2,188
<u>TRANSPORTATION</u>							
Commercial Transportation	<u>530</u>		1.3%	<u>7</u>		<u>43</u>	<u>580</u>
Total Transportation	530			7		43	580
OTHER PURCHASES							
Rental Payments to GSA (SLUC)	8,199		1.7%	140		-	8,339
Purchased Utilities (Non-Fund)	53		1.9%	1		(22)	32
Purchased Communications (Non-Fund)	4,038		1.3%	51		(18)	4,071
Rents (Non-GSA)	893		1.3%	12		166	1,071
Postal Services (U.S.P.S.)	54		1.9%	1		64	119
Supplies & Materials (Non-Fund)	4,063		1.3%	53		1,268	5,384
Printing & Reproduction	-			-		-	-
Equipment Maintenance by Contract	52		1.9%	1		39	92
Equipment Purchases (Non-Fund)	4,375		1.3%	57		(4,111)	321
Other Contracts	14,873			199		2,197	17,269
Other Costs	953			-		350	1,303
Total Other Purchases	37,553		1.4%	515		(67)	38,001
<u>TOTAL</u>	<u>347,849</u>		4.4%	<u>15,144</u>		<u>(7,305)</u>	<u>355,688</u>

DEFENSE CONTRACT AUDIT AGENCY  
Fiscal Year (FY) 2005 Budget Estimates  
Operation and Maintenance, Defense-Wide

Budget Activity-4 Administration and Servicewide Activities

FY 2005

(Dollars in Thousands)

	FY 2004 Estimate	Foreign Currency		Price Growth		Program Growth	FY 2005 Estimate
		Rate Diff	Percent	Amount			
CIVILIAN PERSONNEL COMPENSATION							
101 Executive, General & Special Schedules	302,376		2.9%	8,861		4,253	315,490
103 Wage Board	45			-		-	45
104 Foreign National Direct Hire (FNDH)	51		2.0%	1		-	52
105 Separation Liability (FNDH)	-			-		-	-
106 Benefits to Former Employees	-			-		-	-
107 Voluntary Separation Incentive Payments	67			-		(67)	-
111 Disability Compensation	1,571			-		191	1,762
199 Total Civilian Personnel Compensation	304,110			8,862		4,377	317,349
<u>TRAVEL</u>							
308 Travel of Persons	<u>10,809</u>		1.8%	<u>194</u>		<u>443</u>	<u>11,446</u>
399 Total Travel	10,809			194		443	11,446
OTHER FUND PURCHASES							
673 Defense Financing & Accounting Service	2,188		2.4%	53		-	2,241
699 Total Purchases	2,188			53		-	2,241
<u>TRANSPORTATION</u>							
771 Commercial Transportation	<u>580</u>		1.4%	<u>8</u>		<u>-</u>	<u>588</u>
799 Total Transportation	580			8		-	588
OTHER PURCHASES							
912 Rental Payments to GSA (SLUC)	8,339		1.5%	125		-	8,464
913 Purchased Utilities (Non-Fund)	32		3.1%	1		-	33
914 Purchased Communications (Non-Fund)	4,071		1.4%	58		96	4,225
915 Rents (Non-GSA)	1,071		1.4%	15		(1)	1,085
917 Postal Services (U.S.P.S.)	119		1.7%	2		-	121
920 Supplies & Materials (Non-Fund)	5,384		1.4%	76		(2,042)	3,418
921 Printing & Reproduction	-			-		-	-
922 Equipment Maintenance by Contract	92		1.1%	1		-	93
925 Equipment Purchases (Non-Fund)	321		1.6%	5		11	337
989 Other Contracts	17,269		1.4%	235		(88)	17,416
998 Other Costs	1,303			-		-	1,303
999 Total Other Purchases	38,001		1.4%	518		(2,024)	36,495
9999 <u>TOTAL</u>	<u>355,688</u>		2.7%	<u>9,635</u>		<u>2,796</u>	<u>368,119</u>

DEFENSE CONTRACT AUDIT AGENCY  
Fiscal Year (FY) 2005 Budget Estimates  
Operation and Maintenance, Defense-Wide

Budget Activity-3 Training and Recruitment

FY 2004

(Dollars in Thousands)

	FY 2003	Foreign Currency	Price Growth Percent	Amount	Program Growth	FY 2004 Estimate	
	Actuals	Rate Diff					
<u>CIVILIAN PERSONNEL COMPENSATION</u>							
101	Executive, General & Special Schedules	3,192		4.0%	129	119	3,440
103	Wage Board	40		5.0%	2	-	42
104	Foreign National Direct Hire (FNDH)	-			-	-	-
105	Separation Liability (FNDH)	-			-	-	-
106	Benefits to Former Employees	-			-	-	-
107	Voluntary Separation Incentive Payments	-			-	-	-
111	Disability Compensation	-			-	-	-
199	Total Civilian Personnel Compensation	3,232			131	119	3,482
<u>TRAVEL</u>							
308	Travel of Persons	274		1.5%	4	2	280
399	Total Travel	274			4	2	280
<u>OTHER FUND PURCHASES</u>							
673	Defense Financing & Accounting Service	28		14.3%	4	(1)	31
699	Total Purchases	28			4	(1)	31
<u>TRANSPORTATION</u>							
771	Commercial Transportation	4			-	12	16
799	Total Transportation	4			-	12	16
<u>OTHER PURCHASES</u>							
912	Rental Payments to GSA (SLUC)	456		4.6%	21	-	477
913	Purchased Utilities (Non-Fund)	-			-	-	-
914	Purchased Communications (Non-Fund)	18			-	-	18
915	Rents (Non-GSA)	-			-	-	-
917	Postal Services (U.S.P.S.)	1			-	-	1
920	Supplies & Materials (Non-Fund)	676		1.3%	9	1	686
921	Printing & Reproduction	-			-	-	-
922	Equipment Maintenance by Contract	-			-	-	-
925	Equipment Purchases (Non-Fund)	137		1.5%	2	(3)	136
989	Other Contracts	278		0.4%	1	(206)	73
998	Other Costs	-			-	-	-
999	Total Other Purchases	<u>1,566</u>		2.1%	<u>33</u>	<u>(208)</u>	<u>1,391</u>
9999	<u>TOTAL</u>	<u>5,104</u>		3.4%	<u>172</u>	<u>(76)</u>	<u>5,200</u>

DEFENSE CONTRACT AUDIT AGENCY  
Fiscal Year (FY) 2005 Budget Estimates  
Operation and Maintenance, Defense-Wide

Budget Activity-3 Training and Recruitment

FY 2005

(Dollars in Thousands)

	FY 2004 <u>Estimate</u>	Foreign		Program <u>Growth</u>	FY 2005 <u>Estimate</u>
		Currency <u>Rate Diff</u>	Price Growth <u>Percent</u> <u>Amount</u>		
CIVILIAN PERSONNEL COMPENSATION					
101 Executive, General & Special Schedules	3,440		2.1%	71	(13) 3,498
103 Wage Board	42		2.4%	1	- 43
104 Foreign National Direct Hire (FNDH)	-			-	- -
105 Separation Liability (FNDH)	-			-	- -
106 Benefits to Former Employees	-			-	- -
107 Voluntary Separation Incentive Payments	-			-	- -
111 Disability Compensation	-			-	- -
199 Total Civilian Personnel Compensation	3,482			72	(13) 3,541
TRAVEL					
308 Travel of Persons	280		1.4%	4	- 284
399 Total Travel	280			4	- 284
OTHER FUND PURCHASES					
673 Defense Financing & Accounting Service	31		3.2%	1	(1) 31
699 Total Purchases	31			1	(1) 31
TRANSPORTATION					
771 Commercial Transportation	16			-	- 16
799 Total Transportation	16			-	- 16
<u>OTHER PURCHASES</u>					
912 Rental Payments to GSA (SLUC)	477		1.5%	7	1 485
913 Purchased Utilities (Non-Fund)	-			-	- -
914 Purchased Communications (Non-Fund)	18			-	- 18
915 Rents (Non-GSA)	-			-	- -
917 Postal Services (U.S.P.S.)	1			-	- 1
920 Supplies & Materials (Non-Fund)	686		1.5%	10	9 705
921 Printing & Reproduction	-			-	- -
922 Equipment Maintenance by Contract	-			-	- -
925 Equipment Purchases (Non-Fund)	136		1.5%	2	- 138
989 Other Contracts	73		4.1%	3	1 77
998 Other Costs	-			-	- -
999 Total Other Purchases	1,391		1.6%	22	11 1,424
9999 <u>TOTAL</u>	<u>5,200</u>		1.9%	<u>99</u>	<u>(3)</u> <u>5,296</u>

**DEFENSE CONTRACT AUDIT AGENCY**  
**Operation and Maintenance, Defense-Wide**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**Agency Summary**

	<b>FY 2003 Actuals</b>	<b>Price Change</b>	<b>Program Change*</b>	<b>FY 2004* Estimate</b>	<b>Price Change</b>	<b>Program Change</b>	<b>FY 2005 Estimate</b>
(Dollars in Millions)							
<b>I. <u>Appropriation Summary:</u></b>	<b>352.9</b>	<b>15.3</b>	<b>-7.4</b>	<b>360.9</b>	<b>9.7</b>	<b>2.8</b>	<b>373.4</b>
<b>A. Budget Activity 4:</b>	347.8	15.1	-7.3	355.7	9.6	2.8	368.1
<b>Administration and Servicewide Activities</b>							
<b>B. Budget Activity 3:</b>	5.1	0.2	-0.1	5.2	0.1	-	5.3
<b>Training and Recruiting</b>							

*NOTE: Numbers may not add due to rounding.*

Fiscal Year (FY) 2003 includes \$2.2 million for Operation Iraqi Freedom.

Fiscal Year (FY) 2004 excludes Operation Iraqi Freedom Supplemental funding of \$8.0 million.

**II. Description of Operations Financed:**

**Budget Activity 4**

The Defense Contract Audit Agency (DCAA) provides 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. DCAA responds to specific acquisition official requests for services across the entire spectrum of contract financial and business matters and performs recurring audit work required to monitor cost performance and approve contract payments.

Contract audit services produce savings to the Government that far exceed the cost of DCAA operations. In FY 2003, DCAA reported \$2.234 billion in net savings resulting from audits of \$98.5 billion of incurred cost and reviews of forward pricing proposals (9,829 proposals valued at \$120.4 billion), yielding **\$5.50 in return on taxpayers' investment for each dollar** of DCAA's operating costs (\$405 million).

**DEFENSE CONTRACT AUDIT AGENCY**  
**Operation and Maintenance, Defense-Wide**  
**Fiscal Year (FY) 2005 Budget Estimates**  
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**II. Description of Operations Financed: (continued)**

**Budget Activity 3**

The Defense Contract Audit Institute (DCAI), an element of the Defense Contract Audit Agency, develops and delivers training for approximately 3,400 auditors in the contract auditing field and is an affiliated member of the Defense Acquisition University. The Institute:

- directs and controls the development and delivery of classroom courses, one and two-day seminars, and computer based self-study courses. Development of new classroom courses, seminars, and self-study courses, as well as maintenance of established courses, is a key responsibility.
- has program management responsibility for training and career development in the Defense Contract Audit Agency. It assures that programs of instruction, courses, and training materials meet DoD standards and Generally Accepted Government Auditing Standards (GAGAS).
- 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.
- produces videos to support training and for the Agency to provide basic information or highlight current events.

The Institute, located on the south campus of the University of Memphis, also serves as a meeting center for DCAA. The Institute is co-located with the DCAA Information Technology Division and Technical Audit Services Center in Memphis, Tennessee.



DEFENSE CONTRACT AUDIT AGENCY  
 Operation and Maintenance, Defense-Wide  
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II. Force Structure Summary: See Budget Activity Detail

III. Financial Summary (\$ in Millions)

A. <u>Subactivity Group</u>	FY 2003 Actuals	FY 2004			FY 2005 Estimate
		Budget Request	Appropriation	Current Estimate	
BA 3: Training & Recruiting	5.1	5.5	5.5	5.2	5.3
BA 4: Admin & Service-Wide Activities	347.8	359.0	359.0	363.7	368.1

B. Reconciliation Summary (Dollars in Thousands):

	<u>BA-3</u>	<u>BA-4</u>	<u>TOTAL</u>
<b>FY 2004 President's Budget</b>	<b>5,517</b>	<b>359,011</b>	<b>364,528</b>
1. Congressional Adjustments		-4,190	-4,190
<b>FY 2004 Appropriated Amount</b>	<b>5,517</b>	<b>354,821</b>	<b>360,338</b>
2. Emergency Supplemental		8,009	8,009
3. Fact-of-Life Changes	-317	867	550
<b>Baseline Funding</b>	<b>5,200</b>	<b>363,697</b>	<b>368,897</b>
4. Reprogrammings		0	0
<b>Revised FY 2004 Estimates</b>	<b>5,200</b>	<b>363,697</b>	<b>368,897</b>
5. Less: Emergency Supplemental Funding		-8,009	-8,009
<b>Normalized Current Estimate for FY 2004</b>	<b>5,200</b>	<b>355,688</b>	<b>360,888</b>
6. Price Change	99	9,629	9,728
7. Functional Transfers			
8. Other Transfers		0	0
9. Program Increases	10	6,076	6,086
10. Program Decreases	-13	-3,274	-3,287

DEFENSE CONTRACT AUDIT AGENCY  
Operation and Maintenance, Defense-Wide  
Fiscal Year (FY) 2005 Budget Estimates  
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B. Reconciliation Summary (Dollars in Thousands):

	<u>BA-3</u>	<u>BA-4</u>	<u>TOTAL</u>
FY 2005 Budget Request	5,296	368,119	373,415

DEFENSE CONTRACT AUDIT AGENCY  
 Operation and Maintenance, Defense-Wide  
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<b>V. <u>Personnel Summary:</u></b>	<b><u>FY 2003</u></b>	<b><u>FY 2004</u></b>	<b><u>FY 2005</u></b>	<b>Change FY 2003 / FY 2004</b>	<b>Change FY 2003 / FY 2004</b>
<u>Civilian End Strength (Total)</u>	4,063	4,033	4,077	(30)	44
U.S. Direct Hire	4,058	4,027	4,071	(31)	44
Foreign National Direct Hire	1	1	1	-	-
Total Direct Hire	4,059	4,028	4,072	(31)	44
Foreign National Indirect Hire (Reimbursable Civilians Included in Above (Memo))	4 (509)	5 (531)	5 (516)	1 22	- (15)
 Civilian FTEs (Total)	 4,028	 3,950	 3,993	 (78)	 43
U.S. Direct Hire	4,023	3,944	3,987	(79)	43
Foreign National Direct Hire	1	1	1	-	-
Total Direct Hire	4,024	3,945	3,988	(79)	43
Foreign National Indirect Hire (Reimbursable Civilians Included in Above (Memo))	4 (509)	5 (531)	5 (516)	1 22	- (15)

DEFENSE CONTRACT AUDIT AGENCY  
 Operation and Maintenance, Defense-Wide  
 Fiscal Year (FY) 2005 Budget Estimates  
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VI. <u>Outyear Summary:</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
<b>Civilian End Strength (Total)</b>	<b>4,077</b>	<b>4,077</b>	<b>4,081</b>	<b>4,081</b>
U.S. Direct Hire	4,071	4,071	4,075	4,075
Foreign National Direct Hire	1	1	1	1
Total Direct Hire	4,072	4,072	4,076	4,076
Foreign National Indirect Hire (Reimbursable Civilians Included in Above (Memo))	5  (516)	5  (516)	5  (516)	5  (516)
<b>Civilian FTEs (Total)</b>	<b>3,995</b>	<b>3,995</b>	<b>3,999</b>	<b>3,999</b>
U.S. Direct Hire	3,989	3,989	3,993	3,993
Foreign National Direct Hire	1	1	1	1
Total Direct Hire	3,990	3,990	3,994	3,994
Foreign National Indirect Hire (Reimbursable Civilians Included in Above (Memo))	5  (516)	5  (516)	5  (516)	5  (516)

**DEFENSE CONTRACT AUDIT AGENCY**  
**Operation and Maintenance, Defense-Wide**  
**Fiscal Year (FY) 2005 Budget Estimates**  
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**VII. ~~OP 32 Line Items as Applicable~~ (Dollars in Thousands):**

	FY 2003 Actuals	Change From FY 2003 - FY 2004		FY 2004 Estimate	Change From FY 2004 - FY 2005		FY 2005 Estimate
		Price Growth	Program Growth		Price Growth	Program Growth	
<b><del>CIVILIAN PERSONNEL COMPENSATION</del></b>							
Executive, General & Special Schedules	298,059	14,336	(6,577)	305,818	8,929	4,241	318,988
Wage Board	82	5	-	87	1	-	88
Foreign National Direct Hire (FNDH)	49	2	-	51	1	-	52
Benefits to Former Employees	58	3	(61)	-	-	-	-
Voluntary Separation Incentive Payments	15	-	52	67	-	(67)	-
Disability Compensation	<u>1,516</u>	<u>-</u>	<u>55</u>	<u>1,571</u>	<u>-</u>	<u>191</u>	<u>1,762</u>
Total Civilian Personnel Compensation	299,779	14,346	(6,531)	307,594	8,931	4,365	320,890
<b><del>TRAVEL</del></b>							
Travel of Persons	<u>11,577</u>	<u>139</u>	<u>(629)</u>	<u>11,087</u>	<u>182</u>	<u>445</u>	<u>11,714</u>
Total Travel	11,577	139	(629)	11,087	182	445	11,714
<b><del>OTHER FUND PURCHASES</del></b>							
Defense Financing & Accounting Service	<u>1,944</u>	<u>276</u>	<u>(1)</u>	<u>2,219</u>	<u>95</u>	<u>-</u>	<u>2,314</u>
Total Purchases	1,944	276	(1)	2,219	95	-	2,314
<b><del>TRANSPORTATION</del></b>							
Commercial Transportation	<u>534</u>	<u>7</u>	<u>55</u>	<u>596</u>	<u>8</u>	<u>(1)</u>	<u>603</u>
Total Transportation	534	7	55	596	8	(1)	603
<b><del>OTHER PURCHASES</del></b>							
Rental Payments to GSA (SLUC)	8,655	161	-	8,816	132	1	8,949
Purchased Utilities (Non-Fund)	53	1	(22)	32	1	-	33
Purchased Communications (Non-Fund)	4,056	51	(18)	4,089	54	100	4,243
Rents (Non-GSA)	893	12	166	1,071	13	-	1,084
Postal Services (U.S.P.S.)	55	1	64	120	2	-	122
Supplies & Materials (Non-Fund)	4,739	62	1,269	6,070	80	(2,034)	4,116
Equipment Maintenance by Contract	52	1	39	92	1	-	93
Equipment Purchases (Non-Fund)	4,512	59	(4,114)	457	7	11	475
Other Contracts	15,151	200	1,991	17,342	222	(88)	17,476
Other Costs	<u>953</u>	<u>-</u>	<u>350</u>	<u>1,303</u>	<u>-</u>	<u>-</u>	<u>1,303</u>
Total Other Purchases	39,119	548	(275)	39,392	512	(2,010)	37,894
<b>TOTAL</b>	<b><u>352,953</u></b>	<b><u>15,316</u></b>	<b><u>(7,381)</u></b>	<b><u>360,888</u></b>	<b><u>9,728</u></b>	<b><u>2,799</u></b>	<b><u>373,415</u></b>

Fiscal Year (FY) 2003 includes \$2,207.0 thousand for Operation Iraqi Freedom.

Fiscal Year (FY) 2004 excludes Operation Iraqi Freedom Supplemental funding of \$8,009.0 thousand.

**DEFENSE CONTRACT AUDIT AGENCY**  
**Operation and Maintenance, Defense-Wide**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**Budget Activity-3 Training and Recruiting**

**I. Description of Operations Financed:**

The Defense Contract Audit Institute (DCAI), an element of the Defense Contract Audit Agency, develops and delivers training for approximately 3,400 auditors in the contract auditing field and is an affiliated member of the Defense Acquisition University. The Institute:

- directs and controls the development and delivery of classroom courses, one and two-day seminars, and computer based self-study courses. Development of new classroom courses, seminars, and self-study courses, as well as maintenance of established courses, is a key responsibility.
- has program management responsibility for training and career development in the Defense Contract Audit Agency. It assures that programs of instruction, courses, and training materials meet DoD standards and Generally Accepted Government Auditing Standards (GAGAS).
- 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.
- produces videos to support training and for the Agency to provide basic information or highlight current events.

The Institute, located on the south campus of the University of Memphis, also serves as a meeting center for DCAA. The Institute is co-located with the DCAA Information Technology Division and Technical Audit Services Center in Memphis, Tennessee.

**II. Force Structure Summary: N/A**

DEFENSE CONTRACT AUDIT AGENCY  
 Operation and Maintenance, Defense-Wide  
 Fiscal Year (FY) 2005 Budget Estimates  
 Budget Activity-3 Training and Recruiting

III. Financial Summary (O&M: Dollars in Thousands):

A. Budget Activity Group	FY 2003	FY 2004		Current	FY 2005
	<u>Actuals</u>	<u>Budget Request</u>	<u>Appropriation</u>	<u>Estimate</u>	<u>Estimate</u>
DCAA Operations	5,086	5,502	5,502	5,182	5,278
DCAA Communications	18	15	15	18	18
DCAA Major HQ	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<b>5,104</b>	<b>5,517</b>	<b>5,517</b>	<b>5,200</b>	<b>5,296</b>
		<b>Change</b>		<b>Change</b>	
		<b><u>FY 2004 / FY 2004</u></b>		<b><u>FY 2004 / FY 2005</u></b>	
<b>B. Reconciliation Summary</b>					
<b>Baseline Funding</b>		<b>5,517</b>		<b>5,200</b>	
Congressional Adjustments (Dist.)					
Congressional Adjustments (Undist.)					
Cong. Adj. (General Provisions)					
Congressional Earmarks					
<b>Subtotal Appropriated Amount</b>		<b>5,517</b>		<b>5,200</b>	
FY 2004 Emergency Sup. Appns. Act					
Fact-of-Life Changes		-317			
<b>Subtotal Baseline Funding</b>		<b>5,200</b>		<b>5,200</b>	
Reprogrammings					
Less: Emergency Supplemental					
Price Changes				99	
Functional Transfers					
Program Changes				-3	
<b>Current Estimate</b>		<b>5,200</b>		<b>5,296</b>	

**DEFENSE CONTRACT AUDIT AGENCY**  
**Operation and Maintenance, Defense-Wide**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**Budget Activity-3 Training and Recruiting**

**III. Financial Summary (O&M: Dollars in Thousands):**

**C. Reconciliation of Increases and Decreases**

<b>FY 2004 President's Budget Request</b>	<b>5,517</b>
<b>1. Congressional Adjustment(s)</b>	
<b>FY 2004 Appropriated Amount (subtotal)</b>	<b>5,517</b>
<b>2. Emergency Supplemental</b>	<b>-</b>
a) Emergency Supplemental Funding Carryover	
b) FY 2004 Emergency Supplemental Appropriations Act (P.L. 108-106)	
<b>3. Fact-of-Life Changes</b>	<b>-317</b>
a) Functional Transfers	
b) Technical Adjustments	-317
1) Increases	
a) Price Change for change to pay raise (FY 03: 3.1%-4.1%)	29
b) Price Change for change to pay raise (FY 04: 2.0%-4.1%)	50
c) One additional workyear - increase in number of instructors to handle training for new hires.	100
2) Decreases	
a) Reduction for change in pay raise - supplies and materials	-79
b) Decrease in other support costs to fund workyear increase	-100
c) Transfer from Budget Activity 3 to adjust for FY 2003 actuals and revised FY 2004 requirements	-317
c) Emergent Requirements	
<b>Baseline Funding</b>	<b>5,200</b>
<b>4. Reprogrammings (Requiring 1415 Actions)</b>	



DEFENSE CONTRACT AUDIT AGENCY  
Operation and Maintenance, Defense-Wide  
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Budget Activity-3 Training and Recruiting

III. Financial Summary (O&M: Dollars in Thousands): (Continued)

C. Reconciliation of Increases and Decreases (Continued)

Revised FY 2004 Estimate	5,200
5. Less: Emergency Supplemental Funding	
Normalized Current Estimate for FY 2004	5,200
6. Price Change	99
7. Functional Transfers	
8. Other Transfers (Non-Functional Transfers):	-
9. Program Increases	10
a) Annualization of New FY 2004 Program	
b) One-Time FY 2005 Costs	
c) Program Growth in FY 2005	
1) Increase in supplies and materials and other support costs	10
10. Program Decreases	-13
a) One-Time FY 2005 Costs	
b) Program Decreases in FY 2005	
1) One less paid day	-13
FY 2005 Budget Request	5,296

**DEFENSE CONTRACT AUDIT AGENCY**  
**Operation and Maintenance, Defense-Wide**  
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**Budget Activity-3 Training and Recruiting**

**IV. Performance Criteria and Evaluation Summary:**

The Defense Contract Audit Institute's primary mission is to design, develop, and deliver courses for essential contract audit training. DCAI:

- assures appropriate technical content of the courses, instructional methods, and techniques;
- performs cost effectiveness analyses for new or existing training to include identifying the selection of an appropriate training delivery system;
- gathers training requirements and prepares an annual training plan and budget;
- monitors accomplishment of training programs within the approved training budget; and
- conducts on-site surveys of regional training programs to evaluate program effectiveness and ensure compliance with Agency policies, plans, and objectives.

Administration of a training attendance program and maintenance of an Agency-wide database of completed training assists in monitoring the Institute's evaluation criteria.

Metrics include:

- number of personnel trained;
- number of resident and on-site courses offered;
- number of self-study courses taken;
- average instructor platform hours;
- average hours of training per employee;
- training expenditures per employee;
- number of courses revised and/or developed; and
- cost per training hour.

DEFENSE CONTRACT AUDIT AGENCY  
 Operation and Maintenance, Defense-Wide  
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 Budget Activity-3 Training and Recruiting

V. <u>Personnel Summary:</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>Change</u> <u>FY 2003/FY 2004</u>	<u>Change</u> <u>FY 2004/FY 2005</u>
<b>Civilian End Strength (Total)</b>	37	38	38	1	0
U.S. Direct Hire	37	38	38	1	0
Foreign National Direct Hire	0	0	0	0	0
Total Direct Hire	37	38	38	1	0
Foreign National Indirect Hire (Reimbursable Civilians Included in Above (Memo))	0	0	0	0	0
<b>Civilian FTEs (Total)</b>	39	38	38	-1	0
U.S. Direct Hire	39	38	38	-1	0
Foreign National Direct Hire	0	0	0	0	0
Total Direct Hire	39	38	38	-1	0
Foreign National Indirect Hire (Reimbursable Civilians Included in Above (Memo))	0	0	0	0	0

DEFENSE CONTRACT AUDIT AGENCY  
 Operation and Maintenance, Defense-Wide  
 Fiscal Year (FY) 2005 Budget Estimates  
 Budget Activity-3 Training and Recruiting

VI. <u>Outyear Summary:</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
<b>Civilian End Strength (Total)</b>	<b>38</b>	<b>38</b>	<b>38</b>	<b>38</b>
U.S. Direct Hire	38	38	38	38
Foreign National Direct Hire	0	0	0	0
Total Direct Hire	38	38	38	38
Foreign National Indirect Hire (Reimbursable Civilians Included in Above (Memo))	0	0	0	0
<b>Civilian FTEs (Total)</b>	<b>38</b>	<b>38</b>	<b>38</b>	<b>38</b>
U.S. Direct Hire	38	38	38	38
Foreign National Direct Hire	0	0	0	0
Total Direct Hire	38	38	38	38
Foreign National Indirect Hire (Reimbursable Civilians Included in Above (Memo))	0	0	0	0

**DEFENSE CONTRACT AUDIT AGENCY**  
**Operation and Maintenance, Defense-Wide**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**Budget Activity-3 Training and Recruiting**

VII. ~~OP 32 Line Items as Applicable~~ (Dollars in Thousands):

	FY 2003 Actuals	Change FY 2003 - FY 2004		FY 2004 Estimate	Change FY 2004 - FY 2005		FY 2005 Estimate
		Price Growth	Program Growth		Price Growth	Program Growth	
CIVILIAN PERSONNEL COMPENSATION							
Executive, General & Special Schedules	3,192	129	119	3,440	71	(13)	3,498
Wage Board	40	2	-	42	1	-	43
Total Civilian Personnel Compensation	3,232	131	119	3,482	72	(13)	3,541
TRAVEL							
Travel of Persons	274	4	2	280	4	-	284
Total Travel	274	4	2	280	4	-	284
OTHER FUND PURCHASES							
Defense Financing & Accounting Service	28	4	(1)	31	1	-	32
Total Purchases	28	4	(1)	31	1	-	32
TRANSPORTATION							
Commercial Transportation	4	-	12	16	-	-	16
Total Transportation	4	-	12	16	-	-	16
OTHER PURCHASES							
Rental Payments to GSA (SLUC)	456	21	-	477	7	1	485
Purchased Communications (Non-Fund)	18	-	-	18	-	-	18
Postal Services (U.S.P.S.)	1	-	-	1	-	-	1
Supplies & Materials (Non-Fund)	676	9	1	686	9	9	704
Equipment Purchases (Non-Fund)	137	2	(3)	136	2	-	138
Other Contracts	278	1	(206)	73	4	-	77
Total Other Purchases	1,566	33	(208)	1,391	22	10	1,423
TOTAL	5,104	172	(76)	5,200	99	(3)	5,296

**DEFENSE CONTRACT AUDIT AGENCY**  
**Operation and Maintenance, Defense-Wide**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**Budget Activity-4 Administration and Service-wide Activities**

**I. Description of Operations Financed:**

**Narrative Description:** The Defense Contract Audit Agency (DCAA) provides 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. DCAA responds to specific acquisition official requests for services across the entire spectrum of contract financial and business matters and performs recurring audit work required to monitor cost performance and approve contract payments.

DCAA's workload originates primarily from the effort required to audit and monitor DoD's acquisitions of equipment, materials, and/or services from civilian contractors and universities using Procurement, and Research, Development, Test and Evaluation (RDT&E) funds appropriated by Congress each year. Other factors affecting contract audit workload are:

- DoD procurement policies;
- the implementation of existing Cost Accounting Standards (PL 100-679);
- audits performed for the military departments in connection with the Foreign Military Sales (FMS) Program;
- the interest by DoD officials and the Congress in the nature of costs charged to defense contracts;
- audits for economy and efficiency; and
- requests for contract audit support from the Defense Procurement Fraud Unit and U.S. attorneys during the conduct of investigations and prosecution of perpetrators of contract fraud.

Projected staffing requirements are commensurate with planned changes in DoD procurement levels, departmental acquisition streamlining initiatives, and required effort to complete audits of prior year contract expenditures. These staffing levels also reflect incorporation of previous Quadrennial Defense Review recommendations, Major Headquarters reductions, and related DoD initiatives.

**DEFENSE CONTRACT AUDIT AGENCY**  
**Operation and Maintenance, Defense-Wide**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**Budget Activity-4 Administration and Service-wide Activities**

**Description of Operations Financed:** (Continued)

**Budget/Performance Integration:** DCAA has agreed to a Performance Plan/Balanced Scorecard with the Under Secretary of Defense (Comptroller) that links our performance standards to the President's Management Agenda and the DoD Balanced Scorecard Concept/Risk Management Framework. The Budget/Performance Integration Goal focuses on DCAA's two major product lines, *forward pricing* and *incurred cost* audits. The plan includes deliverables of the *average cost per million dollars* and *customer responsiveness*. The goals are designed to meet contracting office needs for awarding and closing out contracting actions. DCAA's goals are to: (1) achieve an agency-wide average of 30 days or less audit cycle time on forward pricing audits, (2) complete the audits of at least 99% of adequate incurred cost submissions within 12 months of receipt at major contractors and corporate offices; and (3) complete the audits of 99% of all other adequate incurred cost submissions within 24 months of receipt. Agency management continuously reviews all metrics that are included in our Agency Performance Plan/Balanced Scorecard. The balanced scorecard also measures Human Capital, Competitive Sourcing, Financial Management, and E-Government.

Contract audit services produce savings to the Government that far exceed the cost of DCAA operations. In FY 2003, DCAA reported \$2.234 billion in net savings resulting from audits of \$98.5 billion of incurred cost and reviews of forward pricing proposals (9,829 proposals valued at \$120.4 billion), yielding **\$5.50 in return on taxpayers' investment for each dollar** of DCAA's operating costs (\$405 million).

This submission results in the following values for the scorecard metrics.

<b>Cost per million audited</b>	<b><u>FY 2003</u></b>	<b><u>FY 2004</u></b>	<b><u>FY 2005</u></b>	<b><u>FY 2006</u></b>	<b><u>FY 2007</u></b>	<b><u>FY 2008</u></b>	<b><u>FY 2009</u></b>
Forward Pricing:	\$ 472	\$ 632	\$ 649	\$ 648	\$ 649	\$ 642	\$ 641
Incurred Cost:	\$1,214	\$1,237	\$1,350	\$1,361	\$1,376	\$1,374	\$1,387

**DEFENSE CONTRACT AUDIT AGENCY**  
**Operation and Maintenance, Defense-Wide**  
**Fiscal Year (FY) 2005 Budget Estimates**  
**Budget Activity-4 Administration and Service-wide Activities**

**II. Force Structure Summary:** These major functional categories comprise DCAA's workload:

1. ***Forward Pricing Effort*** assists contracting officers in determining and negotiating fair and reasonable prices for negotiated Government contracts. 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. Preaward services furnished to contracting officers by DCAA include:

a. Price Proposal Audits to determine the reasonableness of contractors' price proposals submitted in anticipation of negotiating Government contracts. Contracting officers specifically request them and DCAA must complete them within a short period to avoid delaying the procurement process. DCAA has no control over the number or timing of price proposal audits and must respond to each audit request.

b. Could Cost or Should Cost Studies are initiated by procuring activities who organize a team of specialists, including DCAA auditors, to review a contractor's price proposal to determine what a particular procurement could or should cost, depending on which study is being performed. Such studies usually involve large major weapon system procurements. DCAA auditors also participate on Integrated Product Teams (IPTs) that include representatives from all appropriate organizations and functional disciplines (normally DCAA, the buying activities, Defense Contract Management Agency, and the contractor). The team's objective is to identify problems and find potential solutions at the earliest possible point in the procurement process to avoid rework at the end of process.

c. Forward Pricing Rate Reviews determine the reasonableness of projected labor, overhead, and other indirect expense rates submitted by a contractor prior to submission of price proposals. The contracting officer usually negotiates these rates separately; the contractor then uses the rates in subsequent price proposals. Since FY 2000, DCAA has



DEFENSE CONTRACT AUDIT AGENCY  
Operation and Maintenance, Defense-Wide  
Fiscal Year (FY) 2005 Budget Estimates  
Budget Activity-4 Administration and Service-wide Activities

II. Force Structure Summary (Continued):

provided "rapid rates" to major buying commands for contractors that are expected to do business with the Government. The DCAA proactively seeks out and audits rate information from prospective Government contractors so that buying offices can use the rates within hours of a request. This initiative supports the Department's Civil-Military Integration/Commercial Buying activities and both reduces the procurement cycle time and provides better data within the time available for decision making.

d. Audits of Parts of Proposals and Agreed Upon Procedures are audits of 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.

e. System Surveys are performed to determine the reliability, propriety, and accuracy of contractors' estimating, accounting, internal control, and other systems relating to or providing the basis for Government contract costs or pricing. Systems surveys may be *comprehensive reviews* performed solely by auditors or *joint team reviews* combining the experience and capabilities of the auditor and technical specialist. Additionally, these reviews include recommendations for corrective actions on conditions that cause deficiencies identified in price proposal evaluations or other audit areas that require immediate reporting and resolution. This also includes follow up on the status of corrective actions taken by contractors on previously-identified deficiencies.

f. Other efforts include providing verbal information to procurement officials on labor rates, overhead rates, and similar factors for smaller procurements.

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

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**II. Force Structure Summary (Continued):**

acceptable in accordance with contract terms, FAR, and CAS rules and regulations, if applicable. Incurred cost and CAS compliance audits, which are normally self-initiated, must be accomplished for the Government to make final payment to the contractor. They include reviews of direct labor and material, indirect expenses, and performance and financial 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, estimating, and internal control systems gained during these audits is invaluable to the evaluation of contractors' price proposals.

3. **Operations Audits.** DCAA also performs a variety of economy and efficiency audits of contractor operations. Operations audits are systematic reviews of contractor organizational units and functions to evaluate the reasonableness of methods and practices used on Government contracts.

4. **Special Audits** include reviews of termination claims, progress payment requests, equitable adjustment claims, hardship claims, escalation claims, and contractor financial capability requested by the contracting officer. DCAA must complete these audits quickly to avoid adverse effects such as additional claims for interest on amounts due or contractor financial failure. DCAA has little control over the number or timing of these reviews and must respond to all such requests.

5. **Defective Pricing Reviews.** 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 evaluate the accuracy, completeness, and currentness of the cost or pricing data required to be submitted. These reviews 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.

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II. Force Structure Summary (Continued):

6. **Cost Accounting Standards.** Contracts and subcontracts not qualifying for an exemption are subject to CAS coverage as a condition of Government contracting. DCAA reviews contractors' implementation and compliance with the CAS rules and regulations.

7. **Other Direct Audit Effort** includes on-site assistance to procurement and contract administration offices, contract audit coordinator programs, and negotiation support. Testing performed during development of Agency policies and procedures, and follow-up effort related to Congressional, General Accounting Office (GAO), DoD Inspector General (DoD IG), and other external requests, surveys, and reports are also a part of this activity. The major items within this activity are further described below:

a. Procurement Liaison. DCAA establishes and maintains liaison auditors, as appropriate, at major procuring and contract administration offices. These auditors:

- facilitate effective communication and coordination between procurement officers and auditors;
- provide on-the-spot personal consultation and advice in connection with contractors' cost representations and related matters;
- provide information to DCAA management on specific awards, trends in type and volume of awards, and other data impacting on immediate or long range DCAA responsibilities; and
- provide information to DCAA management on the adequacy, responsiveness and timeliness of audit services rendered to procurement and contract administration offices.

b. Financial Advisory Service Centers provide on-site financial analysis and professional auditing advice to contracting officers at buying command locations. DCAA established these centers to meet the changing needs of the procurement community as

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**II. Force Structure Summary (Continued):**

acquisition reform changed the face of Government contracting and auditing. The shift to commercial pricing practices has caused a decrease in the use of audits performed at contractor locations in favor of analysis of financial data available at the procurement offices.

c. Contract Audit Coordinator (CAC) Programs have been established 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 CAC program is designed to maintain effective communications and audit coordination at these contractor locations. The CAC program includes effort to (i) disseminate information; (ii) monitor and track problem areas to assure uniform resolution; (iii) arrange and attend CAC conferences; and (iv) coordinate with other DCAA personnel, contractor representatives, and cognizant procurement officials on CAC problems.

d. Negotiation Conferences. Audit results often 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 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.

e. External Audit Interface includes developing information and commenting on reports from the GAO, DoD IG, or other government inspector general offices, plus discussions and conferences, and any interface involving another government audit organization.

f. Suspected Irregular Conduct (SIC) includes SIC referrals and responses to requests from investigative agencies or the Department of Justice regarding fraud or

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II. Force Structure Summary (Continued):

other irregular practices. It also includes the development of evidence for presentation to an U.S. attorney or a grand jury, and/or for use at a trial.

g. Audit Support and Planning is the effort expended by the field to prepare annual audit program plan information as well as effort expended 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** includes support personnel in the five regional offices, the Information Technology Division, Technical Audit Services Division, and Defense Legal Services.

a. Regional Offices provide technical audit management and supervision, and logistical support in the form of personnel services, payroll, budgeting and accounting, and travel services to field office personnel.

b. Information Technology Division (OIT) is responsible for the development, maintenance, and enhancement of DCAA's management information system hardware and software to meet management, administrative, and audit requirements. It is also responsible for operating the Agency-wide telecommunications network, and defining and controlling data management standards.

c. Technical Audit Services Division (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.

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II. Force Structure Summary (Continued):

OTS also provides technical assistance to auditors in planning reviews of contractor's electronic data processing systems and engineering operations.

d. Field Administrative Support. Field administrative support personnel provide administrative and resource management services to the Field Detachment, the Defense Contract Audit Institute, and the Defense Legal Services staff assigned to DCAA.

e. Other. This category includes personnel from the Defense Legal Service.

9. **Headquarters** 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 advises regional offices on resource management, including the recruitment and training of personnel. In addition, Headquarters personnel work with other DoD components, Government agencies and Congressional committees on contract audit matters.

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III. Financial Summary (O&M: Dollars in Thousands):

	FY 2003 Actuals	FY 2004			FY 2005 Estimate
		Budget Request	Appropriation	Normalized Current Estimate	
<b>A. Budget Activity Group</b>					
DCAA Operations	332,082	341,021	336,831	339,177	351,307
DCAA Communications	4,038	5,458	5,458	4,071	4,225
DCAA Major HQ	11,729	12,532	12,532	12,440	12,587
<b>TOTAL</b>	<b>347,849</b>	<b>359,011</b>	<b>354,821</b>	<b>355,688</b>	<b>368,119</b>

Note: FY 2003 "DCAA Operations" Actuals includes \$2,207.0 thousand Operation Iraqi Freedom Supplemental Funding.

	Change FY 2004 / FY 2004	Change FY 2004 / FY 2005
<b>B. Reconciliation Summary</b>		
<b>Baseline Funding</b>	<b>359,011</b>	<b>355,688</b>
Congressional Adjustments (Dist.)	0	
Congressional Adjustments (Undist.)	0	
Cong. Adj. (General Provisions)	-3,966	
Congressional Earmarks	-224	
<b>Subtotal Appropriated Amount</b>	<b>354,821</b>	<b>355,688</b>
FY 2004 Emergency Sup. Appns. Act	8,009	
Fact-of-Life Changes	867	
<b>Subtotal Baseline Funding</b>	<b>363,697</b>	<b>355,688</b>
Reprogrammings		
Less: Emergency Supplemental	-8,009	
Price Change		9,629
Functional Transfers		
Program Changes		2,802
<b>Current Estimate</b>	<b>355,688</b>	<b>368,119</b>

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**III. Financial Summary (O&M: Dollars in Thousands): (Continued)**

**C. Reconciliation of Increases and Decreases**

<b>FY 2004 President's Budget Request</b>	<b>359,011</b>
<b>1. Congressional Adjustment(s)</b>	
a) Distributed Adjustment	
b) Undistributed Adjustment(s)	
c) General Provisions	
i) Section 8094 - Support Services	-2,044
ii) Section 8101 - Cost Growth IT	-180
iii) Section 8126 - Management Efficiencies	-1,742
d) Congressional Earmarks - Indian Lands Environmental Impact	-224
<b>FY 2004 Appropriated Amount (subtotal)</b>	<b>354,821</b>
<b>2. Emergency Supplemental</b>	<b>8,009</b>
a) Emergency Supplemental Funding Carryover	
b) FY 2004 Emergency Supplemental Appropriations Act (P.L. 108-106)	8,009
DCAA is providing contract audit support on reconstruction and humanitarian efforts to all DoD components, as well as US AID and the Army Corps of Engineers.	
<b>3. Fact-of-Life Changes</b>	<b>867</b>
a) Functional Transfers	
1) Transfers In	
2) Transfers Out	



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**III. Financial Summary (O&M: Dollars in Thousands): (Continued)**

**C. Reconciliation of Increases and Decreases (Continued)**

b) Technical Adjustments	867
1) Increases	
a) Price Change for change to pay raise (FY 03: 3.1%-4.1%)	2,843
b) Price Change for change to pay raise (FY 04: 2.0%-4.1%)	4,590
c) Transfer from Budget Activity 3 to adjust for FY 2003 actuals and revised FY 2004 requirements	317
d) Internal reprogramming from RDT&E	550
2) Decreases	
Reduction for change in pay raise - communications, supplies and materials, equipment and other support costs	-7,433
c) Emergent Requirements	
1) One-Time Costs	
2) Program Growth	
3) Program Reductions	
<b>Baseline Funding</b>	<b>363,697</b>
<b>4. Reprogrammings (Requiring 1415 Actions)</b>	<b>-</b>
a) Increases	
b) Decreases	
<b>Revised FY 2004 Estimate</b>	<b>363,697</b>
<b>5. Less: Emergency Supplemental Funding</b>	<b>-8,009</b>

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III. Financial Summary (O&M: Dollars in Thousands): (Continued)

C. Reconciliation of Increases and Decreases (Continued)

Normalized Current Estimate for FY 2004	355,688
6. Price Change	9,629
7. Functional Transfers	
a) Transfers In	
b) Transfers Out	
8. Other Transfers (Non-Functional Transfers):	-
a) Transfers In	
b) Transfers Out	
9. Program Increases	6,076
a) Annualization of New FY 2004 Program	
b) One-Time FY 2005 Costs	
c) Program Growth in FY 2005	
1) Increase of 32 Direct workyears previously dedicated to Iraq support	2,780
2) Increase of 26 Direct workyears - this includes overall workyear increase of 11 from 3982 to 3993 plus 15 workyears previously dedicated to reimbursable workload	2,259
3) Increase in DoL Worker's Compensation Estimate	191
4) Increase in Travel	445
5) Increase in Communications requirements	100
6) Other program growth	301
10. Program Decreases	-3,274
a) One-Time FY 2005 Costs	
b) Program Decreases in FY 2005	
1) One less paid day	-1,143
2) Decrease in planned IT purchases and other support costs to support workyear requirements	-2,131
<b>FY 2005 Budget Request</b>	<b>368,119</b>

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IV. Performance Criteria and Evaluation Summary:

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>Notes</u>
Forward Pricing	669	628	663	658	663	651	638	1
Incurring Cost Effort:								
Regular Incurred Cost	1,339	1,349	1,321	1,331	1,333	1,354	1,371	
CAS Compliance Audits	83	73	73	72	70	69	68	
Total Incurred Cost	1,422	1,422	1,394	1,403	1,403	1,423	1,439	2
Operations Audits	50	61	60	60	60	60	60	3
Special Audits	555	537	546	553	560	567	573	4
Defective Pricing	86	87	87	86	84	83	82	5
Cost Accounting Standards: Disclosure Statements, Cost Impact Audits, Etc.	102	107	105	104	102	100	99	6
Other Direct Audit Effort:								
Procurement Support	318	306	342	339	336	333	330	7
Audit Support & Planning	324	321	316	312	307	302	298	8
Total Other Direct	642	627	658	651	643	635	628	
Field Support:								
Regional Offices	289	289	288	288	288	288	288	
Field Support	71	71	71	71	71	71	71	
Total Field Support	360	360	359	359	359	359	359	9
Headquarters	81	83	83	83	83	83	83	10
Total Workyears	3,967	3,912	3,955	3,957	3,957	3,961	3,961	11

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**IV. Performance Criteria and Evaluation Summary (Continued):**

Note 1 - The estimated forward pricing audit effort is based on an assessment of contracting officials' demand requirements for forward pricing assistance. This assessment includes an analysis of the actual workload accomplishments during the past several years, adjusted for anticipated productivity improvements, published changes in the DoD Procurement and RDT&E budget authority, and the estimated impact of applicable acquisition reform initiatives

Note 2 - The FAR requires an audit of contractor costs incurred under flexibly priced contracts to determine if the costs are acceptable in accordance with contract terms, the FAR, and CAS rules and applicable regulations. While the performance of these incurred cost audits is normally self-initiated, they must be accomplished to facilitate the Government's final contract payment to contractors on flexibly priced contracts. However, since the incurred cost area is essentially the only major audit area for which DCAA has any control over the initiation of audit performance, budget constraints impact this area more severely than other areas.

The Agency's performance plan includes a goal of completing the audits of at least 99% of adequate incurred cost submissions within 12 months of receipt at major contractors and corporate offices; and 99% of all other adequate incurred cost submissions within 24 months of receipt. Delay in performing these incurred cost audits adversely affects DCAA's ability to provide timely support to the Department's expedited and paperless Contract Closeout Initiative and increases the probability of expiring funds.

Workload statistics for incurred cost audits are based on historical data, current field audit requirements, annual field risk assessments, productivity factors, and anticipated changes in the DoD Procurement and RDT&E outlays. The incurred cost inventory follows:

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**IV. Performance Criteria and Evaluation Summary (Continued):**

	(Dollars in Millions)						
	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
On Hand Beginning Of Year	69,070	68,494	77,170	82,370	88,070	93,670	97,970
Received During Year (ADV)	97,987	101,970	98,600	101,500	103,400	105,500	106,500
Dollars Subject To Audit	167,057	170,464	175,770	183,870	191,470	199,170	204,470
Examined During Year	98,563	90,600	93,400	95,800	97,800	101,200	104,300
Ending Inventory	68,494	79,864	82,370	88,070	93,670	97,970	100,170

Note 3 - DCAA's operations audits are designed, in part, to evaluate the economy and efficiency of contractor functions or operations, the costs of which are reimbursed through the contractors' overhead expense rates. Because of the continuing interest in reducing the risk that excessive contractor overhead costs are priced into or reimbursed on DoD contracts, projected work years provide staffing levels that allow DCAA to perform required reviews.

Note 4 - DCAA performs special audit activity in response to requests from contracting officials. Special requests range from simple verification of costs to analyzing complex accounting issues. Contractor claims for contract price adjustments frequently involve accounting issues requiring significant audit expertise and substantial audit effort. Oversight of DoD contract costs during contract performance by DoD management and Congressional inquiry, contract terminations, progress payment requests, financial capability audits, earned value management system reviews and other contract claims represent a substantial portion of this workload. Our estimates reflect consideration of historical experience as well as expectations for productivity improvements. We have projected several work years of new business for each fiscal year. As procurement practices change within the Government, we become involved in new areas outside of our traditional forward pricing and incurred cost audit activity. For example, we conducted a pilot project for the

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**IV. Performance Criteria and Evaluation Summary (Continued):**

Reconciliation of Contracts in the Mechanization of Contract Administration Services (MOCAS) System (23 Mar 2000), in which we reviewed reconciliations between contractor and Defense Finance and Accounting (DFAS) records, thus allowing DFAS to close these contracts. We expanded our assistance to DFAS during FY 2003 and will continue to provide these services.

Note 5 - 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 evaluate the accuracy, completeness, and currentness of the cost or pricing data required to be submitted. DCAA performs these reviews 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 the contract. Contracts and subcontracts are selected for defective pricing review based on established selection criteria that consider contract types, dollar amounts, contractor estimating and accounting systems, historical experience, and audit leads. The projected work years will allow DCAA to perform defective pricing reviews at the required levels of effort. Our estimates reflect consideration of current required audits as adjusted for anticipated productivity improvements.

Note 6 - Public Law 100-679 requires contractors to comply with Cost Accounting Standards (CAS). Contractors subject to full CAS-coverage are required to submit disclosure statements describing their significant accounting practices. In addition, any voluntary or required changes in accounting practices require DCAA to review their propriety and cost impact on negotiated Government contracts. Projected work years reflect an anticipated level of activity required to perform reviews of disclosure statements for adequacy and audits of cost impact statements during times of a transforming defense industrial base with increased corporate mergers and acquisitions.

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**IV. Performance Criteria and Evaluation Summary (Continued):**

Note 7 - Major activities within procurement support include negotiation assistance, investigative support, the contract audit coordinator program, financial advisory service centers, and procurement liaison auditor effort. Government contracting representatives frequently ask auditors to attend contract negotiation conferences to provide accounting and financial advice. Investigative organizations from all branches of the Government frequently ask DCAA to provide contract audit assistance in the battle to combat fraud, waste, and mismanagement. Required staffing levels are based on historical performance levels adjusted for additional financial advisory services and anticipated productivity improvements.

We have located Financial Advisory Service Centers at our major customer sites since FY 1999 and continue to fill additional positions based on requests from our customers. DCAA established financial advisory service positions to provide on-site financial analysis and professional auditing advice to contracting officers, to meet the changing needs of the procurement community as acquisition reform changed the face of Government contracting and auditing. The shift to commercial pricing practices has caused a decrease in the use of audits performed at contractor locations in favor of analysis of financial data available at the procurement offices.

Note 8 - The audit support and planning effort includes the development of DCAA's audit program plans for the assigned audit mission at contractor locations. This planning effort enhances audit coverage and the quality of information available to DCAA management and DoD officials responsible for making resource/staffing decisions. The category also includes effort associated with performing process improvement projects and studies and the processing and approval of contract payments. Work years required for special projects and studies, and requirements and program planning represent the Agency's continuing efforts to improve audit quality and audit management oversight through data analyses, surveys, and the testing of

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**IV. Performance Criteria and Evaluation Summary (Continued):**

new policies and operating procedures. The estimated staffing levels are based on historical performance levels adjusted for anticipated productivity improvements.

Note 9 - Estimated staffing levels for DCAA Field Support include those required for the Agency's regional offices, the Information Technology and Technical Audit Services divisions, and other field support units.

Note 10 - Estimated staff levels for DCAA Headquarters reflect the 15% reduction in major headquarters personnel required by the FY 2000 National Defense Authorization Act. The work years reflect the definition of major headquarters contained the Department of Defense Directive 5100.73, entitled "Major Department of Defense Headquarters Activities."

Note 11 - Estimated staff levels included in the overall workload distribution above do not include work years for the newly formed DCAA Iraq branch office and Iraq reconstruction effort. The FY 2003 and FY 2004 work years associated with Iraq were reported in the DCAA Contingency Operations Justifications OP-5 Exhibit.



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<b>V. <u>Personnel Summary:</u></b>	<b><u>FY 2003</u></b>	<b><u>FY 2004</u></b>	<b><u>FY 2005</u></b>	<b><u>Change</u></b> <b><u>FY 2003/FY 2004</u></b>	<b><u>Change</u></b> <b><u>FY 2004/FY 2005</u></b>
Civilian End Strength (Total)	4,026	3,995	4,039	(31)	44
U.S. Direct Hire	4,021	3,989	4,033	(32)	44
Foreign National Direct Hire	1	1	1	0	0
Total Direct Hire	4,022	3,990	4,034	(32)	44
Foreign National Indirect Hire (Reimbursable Civilians Included in Above (Memo))	4 (509)	5 (531)	5 (516)	1 22	0 (15)
Civilian FTEs (Total)	3,989	3,912	3,955	(77)	43
U.S. Direct Hire	3,984	3,906	3,949	(78)	43
Foreign National Direct Hire	1	1	1	0	0
Total Direct Hire	3,985	3,907	3,950	(78)	43
Foreign National Indirect Hire (Reimbursable Civilians Included in Above (Memo))	4 (509)	5 (531)	5 (516)	1 22	0 (15)

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<b>VI. <u>Outyear Summary:</u></b>	<b><u>FY 2006</u></b>	<b><u>FY 2007</u></b>	<b><u>FY 2008</u></b>	<b><u>FY 2009</u></b>
<b>Civilian End Strength (Total)</b>	4,039	4,039	4,043	4,043
U.S. Direct Hire	4,033	4,033	4,037	4,037
Foreign National Direct Hire	1	1	1	1
Total Direct Hire	4,034	4,034	4,038	4,038
Foreign National Indirect Hire (Reimbursable Civilians	5	5	5	5
Included in Above (Memo))	(516)	(516)	(516)	(516)
 <b>Civilian FTEs (Total)</b>	 3,957	 3,957	 3,961	 3,961
U.S. Direct Hire	3,951	3,951	3,955	3,955
Foreign National Direct Hire	1	1	1	1
Total Direct Hire	3,952	3,952	3,956	3,956
Foreign National Indirect Hire (Reimbursable Civilians	5	5	5	5
Included in Above (Memo))	(516)	(516)	(516)	(516)

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VII. OP 32 Line Items as Applicable (Dollars in Thousands):

	FY 2003 Actuals	Change FY 2003 - FY 2004		FY 2004 Estimate	Change FY 2004 - FY 2005		FY 2005 Estimate
		Price Growth	Program Growth		Price Growth	Program Growth	
<b>CIVILIAN PERSONNEL COMPENSATION</b>							
Executive, General & Special Schedules	294,867	14,207	(6,696)	302,378	8,858	4,254	315,490
Wage Board	42	3	-	45	0	-	45
Foreign National Direct Hire (FNDH)	49	2	-	51	1	-	52
Benefits to Former Employees	58	3	(61)	-	-	-	-
Voluntary Separation Incentive Payments	15	-	52	67	-	(67)	-
Disability Compensation	<u>1,516</u>	<u>-</u>	<u>55</u>	<u>1,571</u>	<u>-</u>	<u>191</u>	<u>1,762</u>
Total Civilian Personnel Compensation	296,547	14,215	(6,650)	304,112	8,859	4,378	317,349
<b>TRAVEL</b>							
Travel of Persons	<u>11,303</u>	<u>135</u>	<u>(631)</u>	<u>10,807</u>	<u>178</u>	<u>445</u>	<u>11,430</u>
Total Travel	11,303	135	(631)	10,807	178	445	11,430
<b>OTHER FUND PURCHASES</b>							
Defense Financing & Accounting Service	<u>1,916</u>	<u>272</u>	<u>-</u>	<u>2,188</u>	<u>94</u>	<u>-</u>	<u>2,282</u>
Total Purchases	1,916	272	-	2,188	94	-	2,282
<b>TRANSPORTATION</b>							
Commercial Transportation	<u>530</u>	<u>7</u>	<u>43</u>	<u>580</u>	<u>8</u>	<u>(1)</u>	<u>587</u>
Total Transportation	530	7	43	580	8	(1)	587
<b>OTHER PURCHASES</b>							
Rental Payments to GSA (SLUC)	8,199	140	-	8,339	125	-	8,464
Purchased Utilities (Non-Fund)	53	1	(22)	32	1	-	33
Purchased Communications (Non-Fund)	4,038	51	(18)	4,071	54	100	4,225
Rents (Non-GSA)	893	12	166	1,071	13	-	1,084
Postal Services (U.S.P.S.)	54	1	64	119	2	-	121
Supplies & Materials (Non-Fund)	4,063	53	1,268	5,384	71	(2,043)	3,412
Equipment Maintenance by Contract	52	1	39	92	1	-	93
Equipment Purchases (Non-Fund)	4,375	57	(4,111)	321	5	11	337
Other Contracts	14,873	199	2,197	17,269	218	(88)	17,399
Other Costs	953	-	350	1,303	-	-	1,303
Total Other Purchases	<u>37,553</u>	<u>515</u>	<u>(67)</u>	<u>38,001</u>	<u>490</u>	<u>(2,020)</u>	<u>36,471</u>
<b>TOTAL</b>	<u><b>347,849</b></u>	<u><b>15,144</b></u>	<u><b>(7,305)</b></u>	<u><b>355,688</b></u>	<u><b>9,629</b></u>	<u><b>2,802</b></u>	<u><b>368,119</b></u>

Fiscal Year (FY) 2003 includes \$2,207.0 thousand for Operation Iraqi Freedom.

Fiscal Year (FY) 2004 excludes Operation Iraqi Freedom Supplemental funding of \$8,009.0 thousand.