

Defense Contract Audit Agency
Operation Enduring Freedom/Operation New Dawn
Operation and Maintenance, Defense-Wide
Budget Activity 04: Administrative and Service-Wide Activities

I. Description of Operations Financed: The Defense Contract Audit Agency (DCAA) is responsible for providing audit services and financial advice to all Department of Defense (DoD) acquisition officials involved in OEF/OND military operations and reconstruction in Iraq and Afghanistan. DCAA assists these officials in achieving fair and reasonable contract prices and assuring compliance with contractual terms and conditions by 1) responding to requests from acquisition officials for specific services across the entire spectrum of contract financial and business matters, and 2) fulfilling the recurring audit work required to monitor cost performance and approve contract payments. DCAA's workload originates primarily from the effort required to audit and monitor DoD and civilian agency (USAID and State Department) acquisitions of equipment, materials, and/or services. Congressional interest in the costs charged to Iraq and Afghanistan-related contracts, and requests for contract audit support from the Defense Procurement Fraud Unit and U.S. attorneys during the conduct of investigations and prosecution of perpetrators of contract fraud also impact DCAA's workload.

There are few audit matters within DCAA more sensitive and significant than the support provided to the OEF/OND-related contracts. The Agency has established priorities to ensure audit support in Iraq, Kuwait, Afghanistan and related field offices is timely, comprehensively accomplished and promptly reported to its customers. The DCAA audits of cost-reimbursable contracts represent a continuous effort from evaluation of proposed prices to final closeout and payment. DCAA performs initial audits of contractor business system internal controls and testing of contract costs to provide a basis for provisional approval of contractor interim payments and early detection of deficiencies. DCAA also performs comprehensive contract cost audits throughout the life of the contract; and the contracting activity uses the audits to adjust provisionally approved interim payments and ultimately to negotiate final payment to the contractor. The audit and financial advisory services provided in support of OEF/OND military operations and reconstruction in Iraq and Afghanistan will be subject to the same performance

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I. Description of Operations Financed (cont.)

measurement as other DCAA audit activities.

II. Force Structure Summary:

N/A

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III. Financial Summary (\$ in thousands):

CBS No.	CBS Title	FY 2012 <u>Actual</u>	FY 2013 <u>Request</u>	<u>Delta</u>	FY 2014 <u>Estimate</u>
OEF					
1.0	Personnel	\$12,402	\$12,891	\$-815	\$12,076
2.0	Personnel Support	\$734	\$810	\$48	\$858
3.0	Operating Support	\$33	\$140	\$-45	\$95
	OEF Total	\$13,169	\$13,841	\$-812	\$13,029
OND					
1.0	Personnel	\$14,120	\$15,141	\$-1,961	\$13,180
2.0	Personnel Support	\$1,200	\$1,431	\$-144	\$1,287
3.0	Operating Support	\$187	\$261	\$24	\$285
	OND Total	\$15,507	\$16,833	\$-2,081	\$14,752
	Grand Total	\$28,676	\$30,674	\$-2,893	\$27,781

FTEs: FY 2012 192; FY 2013 192; FY 2014 181.

Significant change between FY 2013 and FY 2014 is attributed to reduced staffing in Southwest Asia, along with a reduced need for audit effort in CONUS. DCAA performs audits throughout the life of the contract. The work that will be accomplished includes direct cost testing, accounting and billing system audits and forward pricing assignments at high risk OCO contractors with on-going contracts. In addition, DCAA is performing incurred cost audits, primarily in CONUS to allowing the contracting officers to close completed contracts.

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III. Financial Summary (\$ in thousands):

<u>OEF</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>Delta</u>	<u>FY 2014</u>
	<u>Actual</u>	<u>Request</u>		<u>Estimate</u>
1. CBS Category/Subcategory				
1.0 Personnel	\$12,402	\$12,891	\$-815	\$12,076
Total	\$12,402	\$12,891	\$-815	\$12,076

A. Narrative Justification: Funds are required for personnel performing contract audit work in Afghanistan and in CONUS. Audits occur at many stages of the contracting processing, beginning with evaluation of proposed prices and ending with final closeout and payment. Work will continue in CONUS after completion of audit performance until the contracts are closed. The Commission on Wartime Contracting issued a special report in September 2009 that stressed the importance of audits of contractor business systems, including follow-up and resolution. The Commission's final report issued in August 2011 also stated that agencies, including DCAA, lack sufficient staff and resources to enable adequate management of all aspects of contingency contracting, including business systems reviews and incurred cost audits. Most recently, the Special Inspector General for Iraq Reconstruction issued a report in July 2012 recommending that DCAA increase their oversight of business systems for smaller scale contractors performing work in high-risk contingency areas. The funding is needed to perform these important audits in a timely manner.

B. Explanation of Changes between FY 2013 and FY 2014: Changes between years FY 2013 and FY 2014 are predominately the result of pay raises and decreased workyears required both in country and CONUS to ensure audit support to OEF related contracts.

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III. Financial Summary (\$ in thousands):

<u>OND</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>Delta</u>	<u>FY 2014</u>
	<u>Actual</u>	<u>Request</u>		<u>Estimate</u>
2. CBS Category/Subcategory				
1.0 Personnel	\$14,120	\$15,141	\$-1,961	\$13,180
Total	\$14,120	\$15,141	\$-1,961	\$13,180

A. Narrative Justification: Funds are required for personnel performing contract audit work in Iraq/Kuwait and in CONUS. Audits occur at many stages of the contracting processing, beginning with evaluation of proposed prices and ending with final closeout and payment. Work will continue in CONUS after completion of audit performance until the contracts are closed. The Commission on Wartime Contracting issued a special report in September 2009 that stressed the importance of audits of contractor business systems, including follow-up and resolution. The Commission's final report issued in August 2011 also stated that agencies, including DCAA, lack sufficient staff and resources to enable adequate management of all aspects of contingency contracting, including business systems reviews and incurred cost audits. Most recently, the Special Inspector General for Iraq Reconstruction issued a report in July 2012 recommending that DCAA increase their oversight of business systems for smaller scale contractors performing work in high-risk contingency areas. The funding is needed to perform these important audits in a timely manner.

B. Explanation of Changes between FY 2013 and FY 2014: Changes between years FY 2013 and FY 2014 are the result of pay raise and decreased workyears to ensure audit support to OND related contracts. The FY 2014 Cost of War request provides for a continuing shift in audit effort from supporting new contract awards for Iraq to auditing costs incurred by contractors during contract performance and completing the audits required to close

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III. Financial Summary (\$ in thousands):

contracts.

<u>OEF</u>	<u>FY 2012</u> <u>Actual</u>	<u>FY 2013</u> <u>Request</u>	<u>Delta</u>	<u>FY 2014</u> <u>Estimate</u>
3. CBS Category/Subcategory				
2.0 Personnel Support	\$734	\$810	\$48	\$858
Total	\$734	\$810	\$48	\$858

A. Narrative Justification: Personnel are assigned on a temporary duty basis to locations within Afghanistan. Funds are required for travel to be responsive to customer's needs and to accomplish the mission.

B. Explanation of Changes between FY 2013 and FY 2014: Changes between years FY 2013 and FY 2014 are the result of travel requirements based on estimated staffing levels for Afghanistan.

<u>OND</u>	<u>FY 2012</u> <u>Actual</u>	<u>FY 2013</u> <u>Request</u>	<u>Delta</u>	<u>FY 2014</u> <u>Estimate</u>
4. CBS Category/Subcategory				
2.0 Personnel Support	\$1,200	\$1,431	\$-144	\$1,287
Total	\$1,200	\$1,431	\$-144	\$1,287

A. Narrative Justification: Personnel are assigned on a temporary duty basis to locations within Iraq and Kuwait. Funds are required for travel to be responsive to customer's

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III. Financial Summary (\$ in thousands):

needs and to accomplish the mission.

B. Explanation of Changes between FY 2013 and FY 2014: Changes between years FY 2013 and FY 2014 are the result of travel requirements based on estimated staffing levels for Iraq/Kuwait.

<u>OEF</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>Delta</u>	<u>FY 2014</u>
	<u>Actual</u>	<u>Request</u>		<u>Estimate</u>
5. CBS Category/Subcategory				
3.0 Operating Support	\$33	\$140	\$-45	\$95
Total	\$33	\$140	\$-45	\$95

A. Narrative Justification: The DCAA has an agreement with the Department of State for support services that include security, health services, general supplies and telephone. In addition, DCAA maintains leased vehicles. These services are crucial to the successful completion of audits in an unstable environment in Afghanistan and to the general well-being of the personnel assigned there.

B. Explanation of Changes between FY 2013 and FY 2014: Changes between years FY 2013 and FY 2014 are the result of reduced support service agreement estimates for Afghanistan.

<u>OND</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>Delta</u>	<u>FY 2014</u>
	<u>Actual</u>	<u>Request</u>		<u>Estimate</u>
6. CBS Category/Subcategory				

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III. Financial Summary (\$ in thousands):

3.0	Operating Support	\$187	\$261	\$24	\$285
	Total	\$187	\$261	\$24	\$285

A. Narrative Justification: The DCAA has an agreement with the Department of State for support services that include security, health services, general supplies and telephone. In addition, DCAA maintains leased vehicles. These services are crucial to the successful completion of audits in an unstable environment in Iraq and to the general well-being of the personnel assigned there.

B. Explanation of Changes between FY 2013 and FY 2014: Changes between years FY 2013 and FY 2014 are the result of increased support service agreement estimates for Iraq

	FY 2012	FY 2013	Delta	FY 2014
	<u>Actual</u>	<u>Request</u>		<u>Estimate</u>
Total	\$28,676	\$30,674	\$-2,893	\$27,781

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IV. Performance Criteria:

N/A

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

<u>OP 32 Line</u>	FY 2012 <u>Actual</u>	Change FY 2012/FY 2013		FY 2013 <u>Request</u>	Change FY 2013/FY 2014		FY 2014 <u>Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
101 Exec, Gen'l & Spec Scheds	26,268	63	1,581	27,912	244	-3,115	25,041
121 PCS Benefits	253	0	-132	121	0	95	216
199 Total Civ Compensation	26,521	63	1,449	28,033	244	-3,020	25,257
308 Travel of Persons	1,773	35	433	2,241	43	-187	2,097
399 Total Travel	1,773	35	433	2,241	43	-187	2,097
771 Commercial Transport	161	3	-164	0	0	48	48
799 Total Transportation	161	3	-164	0	0	48	48
914 Purchased Communications (Non-Fund)	25	1	8	34	1	-10	25
920 Supplies & Materials (Non-Fund)	55	1	64	120	2	18	140
922 Equipment Maintenance By Contract	0	0	0	0	0	30	30
987 Other Intra-Govt Purch	141	3	102	246	5	-67	184
999 Total Other Purchases	221	5	174	400	8	-29	379
Total	28,676	106	1,892	30,674	295	-3,188	27,781