

Fiscal Year 2025 Budget Estimates

Defense Contract Audit Agency



March 2024

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2025 Budget Estimates**

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

	<u>FY 2023 Actuals</u>	<u>Price Change</u>	<u>Program Change</u>	<u>FY 2024 Estimate</u>	<u>Price Change</u>	<u>Program Change</u>	<u>FY 2025 Estimate</u>
DCAA	638,595	29,038	310	667,943	18,660	-12,982	673,621

- FY 2023 includes \$15,000 thousand in Overseas Operations Costs (OOC) Actuals. FY 2024 includes \$0 in OOC Estimate. FY 2025 includes \$0 for the OOC budget request. OOC were financed previously with former Overseas Contingency Operations (OCO) funding.
- This DoD component is a budget line item in the Operation and Maintenance Defense-wide account and therefore, the FY 2024 Estimate does not reflect a CR adjustment. The overall Operation and Maintenance, Defense-wide account CR adjustment for FY 2024 may be found in the O-1 document.

I. Description of Operations Financed:

The Defense Contract Audit Agency's mission is to conduct contract audits and provide accounting and financial advisory services regarding contracts and subcontracts to all DoD Components responsible for procurement and contract administration. DCAA may also provide contract audit services to other federal agencies, as appropriate. DCAA only audits and provides financial information and advice on proposed or existing contracts and contractors; it has no internal audit responsibilities in DoD. 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. DCAA has no role in determining which companies are awarded defense contracts.

DCAA's work supports the 2022 National Defense Strategy's key priorities of defending the homeland, deterring strategic attacks and aggression, and building a resilient joint force and defense ecosystem. DCAA audits and financial advisory services enable contracting officials to make necessary investments to deter current and future threats while minimizing the resources required. DCAA's outreach to small business owners strengthens and diversifies the defense ecosystem by enhancing their understanding of requirements. Through outreach to industry, we strive to learn their challenges and, when possible, ease the burden of defense contracting.

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, the DCAA helps determine whether contract costs are allowable, allocable, and reasonable. The DCAA conducts audits in accordance with Generally Accepted Government Auditing Standards (GAGAS), a set of standards that ensures audit conclusions are well supported by evidence. The type and extent of the 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 (FAR), Part 15 (Contracting by Negotiation). The DCAA audits only contractors and it has no internal audit responsibilities within DoD.

The DCAA auditors examine contractor accounts, records, and business systems to evaluate whether contractor business practices and procedures are in compliance with the FAR, the Defense Federal Acquisition Regulation Supplement (DFARS), Cost Accounting Standards (CAS), and other applicable government laws and regulations. The 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

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I. Description of Operations Financed: (Cont.)

services. With these recommendations, contracting officers are better able to negotiate prices and settle contracts for major weapons systems, services, and supplies. Out of a population of approximately 7,000 active contractors, the DCAA engages with over 4,400 contractors in a typical year, examining more than \$352 billion in contract costs, and issuing 2,314 audit reports and 6,838 memos.

In FY 2024, the DCAA will be executing its entire portfolio of audit work including Incurred Cost, Forward Pricing, Terminations and Claims, Business Systems, Cost Accounting Standards (CAS), and Truth in Negotiation (TiN) compliance audits. In addition, the DCAA will use Contractor Information Surveys to collect information, primarily from select smaller contractors, to inform the audit effort. Focusing on the entire portfolio of audit work enables the DCAA to fulfill its role in the financial oversight of government contracts and is critical to ensuring the DoD gets the best value for every dollar spent on defense contracting. The DCAA will continue efforts to review incurred cost proposals within 12 months of the receipt of an adequate submission 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).

The DCAA's FY 2023 Financial Statements received an unmodified opinion from independent public auditors. The DCAA has continuously maintained an unmodified audit opinion since FY 2000. DCAA is required to pass an external peer review every three years. In FY 2022, DCAA received a rating of pass on its external peer review, which determines whether DCAA's internal quality control review system is in place and operating effectively.

The DCAA continues to return savings to the Government that far exceed the cost of its operations. In FY 2023, the Agency audited approximately \$352 billion in contract costs, issuing 583 incurred costs audit reports and 2,640 memos examining \$241 billion, and issuing 525 forward pricing proposal audit reports and 98 memos examining \$50 billion in proposed contract costs. As a result of reported audit findings, the DCAA recognized \$3.5 billion in net savings. The return on taxpayers' investment is approximately \$5.1 for every dollar invested in the Agency (\$685.8 million in FY 2023, including reimbursable funding). The 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. Per the FAR and Public Law 100-679, the Cost Accounting Standards (CAS) require the 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. The DCAA furnishes pre-award services to contracting officers including:

a. Price Proposal Audits. These examinations determine the reasonableness of contractors' price proposals submitted in anticipation of negotiating Government contracts. Contracting officers request these audits, which must be accomplished within a short period of time 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.

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I. Description of Operations Financed: (Cont.)

b. Forward Pricing Rate Proposal Audits. These examinations 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. Responses to Requests for Specific Cost Information. This effort includes providing specific cost information to procurement officials on labor rates, overhead rates, and similar factors when information is readily available within the DCAA's files.

2. Incurred Cost Effort. The FAR requires the 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. These audits must be accomplished for the Government to close contracts and make final payment to the contractor. This effort includes examinations of direct labor and material costs and indirect expenses, and provides insight on the function of contractor business systems and related internal controls. Although the primary purpose of incurred cost audits is to express an opinion on the acceptability of costs claimed under Government contracts, the knowledge of contractors' accounting and other business systems gained during these audits is helpful in evaluating contractors' price proposals.

In FY 2024, the DCAA will complete incurred costs audits within 12 months of receiving an adequate submission 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), in accordance with the National Defense Authorization Act of FY 2018.

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

4. Business Systems, Cost Accounting Standards, & Truth in Negotiations. These audits are primarily performed after contract award and can be requested by a contracting officer or initiated by the DCAA. The DCAA typically initiates these types of audits when there is potential for a high risk of misallocation or mischarging costs:

a. Truth in Negotiations Audits (TiN). These audits require contracting officers to obtain certified cost or pricing data from contractors before awarding a contract unless an exception applies (10 USC §2306a). Under TiN, the Government has the right to examine records to ensure that certified cost or pricing data is accurate, current, and complete. The 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 when negotiating a contract.

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I. Description of Operations Financed: (Cont.)

b. Business System Audits. These audits evaluate contractor systems to assess whether the systems comply with DFARS business systems requirements and generate accurate and reliable data for contracting officers to use in determining fair and reasonable prices. The DCAA performs audits of the contractors' accounting system, material management and accounting system (MMAS), and estimating system.

c. 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 the DCAA responsibility for examining contractors' implementation and compliance with the CAS rules and regulations. The CAS related audit effort includes assessing adequacy and compliance of the CAS Disclosure Statement, compliance with the CAS, and assessment of contractor Cost Impact Statements for noncompliance.

5. Other Direct Audit Efforts. Other audit-related activities include providing on-site assistance to procurement and contract administration offices, corporate audit directorate programs, and negotiation support. This activity includes efforts 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. The DCAA maintains financial liaison advisors, as appropriate, at major procurement and contract administration offices. Their primary functions are to: facilitate effective communication and coordination between procurement officers and auditors; provide the 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 provide the DCAA management with information on the adequacy, responsiveness and timeliness of audit services rendered to procurement and contract administration offices.

b. Corporate Audit Directorate. The DCAA extended the success of its Contract Audit Coordinator (CAC) program into a Corporate Audit Directorate (CAD) structure and now has six of the largest contractors organized into four CADs. The contractors' accounting functions, operations, and contract performance may occur at multiple locations under the audit cognizance of multiple DCAA field offices, but the contract audit activities and reporting associated with each contractor are under the direction of one DCAA management hierarchy.

c. Negotiation Conferences. A fundamental requirement of the DCAA's mission is to provide high quality contract audit services to ensure the Government is paying fair prices. Audit results often 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. The DCAA develops information and comments on reports from the GAO, DoD IG, and other government Inspector General offices. This activity also includes efforts related to discussions and conferences, and any interface involving other government audit organizations.

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.

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f. Audit Support and Planning. The DCAA field offices prepare annual audit program plans for the upcoming year and work on projects and studies requested by the Regions, CADs or Headquarters. Projects normally relate to new and innovative ways of performing the 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.

6. Field Support. This 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). The DCAI develops and delivers training for over 4,000 contract auditors and is an affiliated member of the Defense Acquisition University; directs and controls the development and delivery of classroom courses, seminars, computer-based self-study courses, and internet-based, instructor-led courses; has program management responsibility for the DCAA training and career development including ensuring the workforce obtains DoD Acquisition and Financial Management certification requirements; assures that programs of instruction, courses, and training materials meet DoD, GAGAS, and National Association of State Boards of Accountancy (NASBA) standards; provides training and education policy guidance, monitoring and evaluation of Agency training not conducted by the Institute; 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). The OIT is responsible for the design, development, and maintenance of Agency-specific automated information systems (AIS), web applications, and audit software; it is also responsible for operating the Agency-wide communications infrastructure, monitoring network performance, managing the DCAA's information assurance program, and establishing and implementing policy and standards for information technology (IT) systems and services. The OIT employs a computer hardware acquisition strategy/plan to satisfy AIS and personal computing requirements.

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

e. Chief Digital and Artificial Intelligence Office (CDAO). The CDAO prioritizes DCAA's ability to leverage automation and deliver data analytics/AI applications. The CDAO is also responsible for capability exploration, digital optimization, governance, and enterprise platforms to include CaseWare and ServiceNow.

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

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7. **Headquarters.** The DCAA Headquarters performs the work normally associated with the central office of a professional public organization. The Headquarters develops policy and promulgates instructions and operating directives needed to perform the Agency's mission; performs oversight reviews of regional and field office operations and audit quality; provides Regions and CADs with resource management services including human capital, administration, and financial management; and 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.

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II. Force Structure Summary:
N/A.

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III. Financial Summary (\$ in Thousands):

	FY 2023 Actuals	Budget Request	FY 2024		Current Estimate	FY 2025 Estimate
			<u>Congressional Action</u>			
			<u>Amount</u>	<u>Percent</u>		
<u>A. BA Subactivities</u>						
1. Audit Operations	\$638,595	\$667,943	\$0	0.00%	\$667,943	\$673,621
DCAA Communications	\$10,640	\$12,239	\$0	0.00%	\$12,239	\$9,750
DCAA Major Headquarters	\$37,165	\$47,195	\$0	0.00%	\$47,195	\$50,593
DCAA Operations	<u>\$590,790</u>	<u>\$608,509</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$608,509</u>	<u>\$613,278</u>
Total	\$638,595	\$667,943	\$0	0.00%	\$667,943	\$673,621

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III. Financial Summary (\$ in Thousands): (Cont.)

<u>B. Reconciliation Summary</u>	<u>Change</u>	<u>Change</u>
	<u>FY 2024/FY 2024</u>	<u>FY 2024/FY 2025</u>
BASELINE FUNDING	\$667,943	\$667,943
Congressional Adjustments (Distributed)	0	
Congressional Adjustments (Undistributed)	0	
Adjustments to Meet Congressional Intent	0	
Congressional Adjustments (General Provisions)	0	
Fact-of-Life Changes (2024 to 2024 Only)	0	
SUBTOTAL BASELINE FUNDING	667,943	
Supplemental	0	
Reprogrammings	0	
Price Changes		18,660
Functional Transfers		0
Program Changes		-12,982
CURRENT ESTIMATE	667,943	673,621
Less: Supplemental	0	
NORMALIZED CURRENT ESTIMATE	\$667,943	\$673,621

Overseas Operations Costs

Summary of Operation	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>
	<u>Actuals</u>	<u>Estimate</u>	<u>Estimate</u>
Operation ENDURING SENTINEL (OES)	\$15	\$0	\$0
Operation INHERENT RESOLVE (OIR)	\$0	\$0	\$0
European Deterrence Initiative (EDI)	\$0	\$0	\$0
Other Theater Requirements and Related Missions	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Overseas Operations Costs Total	\$15	\$0	\$0

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III. Financial Summary (\$ in Thousands): (Cont.)

FY 2024 President's Budget Request (Amended, if applicable)	\$667,943
1. Congressional Adjustments	\$0
a) Distributed Adjustments.....	\$0
b) Undistributed Adjustments	\$0
c) Adjustments to Meet Congressional Intent.....	\$0
d) General Provisions	\$0
2. Supplemental Appropriations	\$0
a) Supplemental Funding.....	\$0
3. Fact-of-Life Changes.....	\$0
a) Functional Transfers.....	\$0
b) Technical Adjustments	\$0
c) Emergent Requirements.....	\$0
FY 2024 Baseline Funding	\$667,943
4. Reprogrammings (Requiring 1415 Actions).....	\$0
a) Increases	\$0
b) Decreases	\$0

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III. Financial Summary (\$ in Thousands): (Cont.)

Revised FY 2024 Estimate	\$667,943
5. Less: Item 2, Supplemental Appropriation and Item 4, Reprogrammings	\$0
a) Less: Supplemental Funding	\$0
FY 2024 Normalized Current Estimate	\$667,943
6. Price Change	\$18,660
7. Functional Transfers	\$0
a) Transfers In	\$0
b) Transfers Out.....	\$0
8. Program Increases.....	\$19,754
a) Annualization of New FY 2024 Program	\$0
b) One-Time FY 2025 Increases	\$0
c) Program Growth in FY 2025.....	\$19,754
1) OTHER INTRA-GOVT PURCH	\$17,831
IT contract support services increase is due to annual subscriber cost after 4th Estate Network Optimization (4ENO) consolidation under Defense Information Systems Agency (DISA). Cost estimate reflects published service rate per employee base on the projected size of the DCAA workforce. \$9,822 of this increase was transferred from OP-32 Line 990 IT Contract Support Services. (FY 2024 Baseline: \$12,680 thousand)	
2) OTHER SERVICES.....	\$1,923
Other service increase is due to procurement of an independent commercial peer audit review of DCAA audits IAW 10 USC 3842; the DCAA is required to obtain and pass the peer review performed by the	

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III. Financial Summary (\$ in Thousands): (Cont.)

commercial auditor.
(FY 2024 Baseline: \$12,359 thousand)

9. Program Decreases	\$-32,736
a) Annualization of FY 2024 Program Decreases	\$0
b) One-Time FY 2024 Increases	\$0
c) Program Decreases in FY 2025	\$-32,736
1) IT Contract Support Services	\$-9,822
Reduction is due to the consolidation and integration of common use IT network environment at the Defense Information Systems Agency (DISA) as part of the 4th Estate Network Optimization (4ENO) initiative. Funding is realigned to OP-32 Line 987 Other Intra-governmental Purchases. (FY 2024 Baseline: \$24,119 thousand)	
2) Civilian Personnel Compensation: Average Annual Rate	\$-7,935
Decrease reflects a change in the average annual rate based on detailed execution and cost factor analysis. These rates are created and implemented each year to accurately forecast cost estimates for the civilian workforce. Additionally, a change in workforce composition will reduce program cost as lower-graded new hires are replacing higher-graded losses. (FY 2024 Baseline: \$556,449 thousand; 3,726 FTEs)	
3) Civilian Personnel Compensation	\$-6,413
Technology investments and automation efficiencies will enable the DCAA to accomplish its contract audit mission with 42 fewer FTEs. The DCAA will continue to focus efforts on high-risk audits with high return on investment to the taxpayer and warfighter. (FY 2024 Baseline: \$556,449 thousand; 3,726 FTEs; -42 FTEs)	
4) Purchased Comms	\$-2,802
Reduction is due to transition from Defense Infrastructure Technology Contracting Organization (DITCO) to Enterprise Infrastructure Solution (EIS) Lumen contract which will support the DCAA network circuits agency-wide. (FY 2024 Baseline: \$12,239 thousand)	

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5) Equipment	\$-2,713
One time plus up in FY2024 for IT Storage Refresh/Cisco & NetApp Hardware Refresh provides storage solution for backup recovery and replication for systems that are not migrated to Azure cloud environment. (FY 2024 Baseline: \$6,413 thousand)	
6) Travel of Personnel	\$-1,826
Decrease is due to change in workforce composition, from a net reduction of the civilian compensation requirement, reducing travel cost. (FY 2024 Baseline: \$10,251 thousand)	
7) Rent	\$-1,225
Reduction is due to the continued consolidation of office spaces and facilities resulting from FY 2021 operational reform initiatives. (FY 2024 Baseline: \$13,733 thousand)	

FY 2025 Budget Request **\$673,621**

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IV. Performance Criteria and Evaluation Summary:

The 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, the 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, the DCAA must retain a cadre of trained, highly competent and professional employees. In a typical year, labor and related fringe benefits account for approximately 86 percent of the DCAA's budget. Statutory and regulatory requirements designed to ensure that the Government meets its fiduciary responsibilities to the public drive the majority of the DCAA's workload. In this capacity, the DCAA supports the oversight and internal control responsibilities of the Office of the Secretary of Defense, the DoD IG, the GAO, 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 the 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.

Strategic Plan. The DCAA uses a strategic planning approach which aims to achieve the DCAA's Vision through its pursuit of several goals to be accomplished within a 5-year timeframe. The DCAA's Strategic Plan for FY 2021 – FY 2025 addresses key challenges and steers the Agency to additional improvements through FY 2025 with an eye toward creating the ideal audit environment for the 21st Century. The 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. Together with our acquisition partners, we increase warfighter capabilities by delivering high quality audits and financial services to achieve fair and reasonable prices that protect taxpayer dollars. Our mission statement clarifies our commitment to getting the most value for every dollar spent on defense contracts. We operate as a member of the acquisition community that works together to equip and serve our service members in uniform. As stewards who look out for taxpayers' interests, we conduct high quality contract audit services to ensure that the government is paying fair prices for what it buys.

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: Better Serve the Department by Strengthening Strategic Alliances.

Goal 2: Align our Products and Services to be Flexible and Responsive to Customer Needs.

Goal 3: Recruit, Cultivate, and Retain a Highly Skilled, Flexible, and Empowered Workforce.

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IV. Performance Criteria and Evaluation Summary:

Summary of Audit Performance Based Measures. The DCAA continues to reassess performance measures to develop measurements that more closely align with the Strategic Plan. Detailed descriptions are provided for each of the existing measures.

<u>Audit Performance Measures</u>		<u>FY 2023 Actuals</u>	<u>FY 2024 Objective</u>	<u>FY 2025 Objective</u>
<u>Workforce Environment Measures:</u>				
1	Federal Employee Viewpoint Survey – Response Rate	69%	75%	75%
2	Federal Employee Viewpoint Survey – Best Places to Work in the Federal Government Ranking	Ranked in upper quartile	Maintain upper quartile ranking	Maintain upper quartile ranking
<u>Quality Related Measures:</u>				
3	DCAA QA Review Results – Audits Performed in Accordance with GAGAS	86.0%	Exceed FY 2022 Rate	Exceed FY 2023 Rate
<u>Productivity Measures:</u>				
4	Forward Pricing Proposal Audits Issued by Original Due Date	94%	Maintain/exceed prior year rate	Maintain/exceed prior year rate
5	Pre-Award Accounting System Audit delivered within 90 days	56 days	Maintain prior year rate	Maintain prior year rate
6	Truth in Negotiations Audits Completed	41	62	50
7	Business System Audits Completed	81	125	132

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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. Best Places to Work in the Federal Government.** The DCAA uses this measure to assess the extent of employee satisfaction with their jobs and the organization. The rate reflects participating employee perception that the DCAA is a good place to work. Rate is independently compared against federal government agencies in the peer group. The lower the number relative to the peer group, the better the outcome.

- 3. DCAA Quality Assurance (QA) Review Results – Audits performed in accordance with GAGAS.** The DCAA uses this measure to validate the quality of audits completed. The DCAA's Quality Assurance organization performs these reviews and evaluates whether they are performed in accordance with GAGAS; the goal is to increase the percentage of audits passing the QA Review each cycle.

- 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 the DCAA. The DCAA's ability to provide these audit services in a timely manner is critical to the timely 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 be maintained or improve each year.

- 5. Pre-Award Accounting System Audit delivered within 90 days.** Contracting officers who are in the process of negotiating cost-reimbursable contracts may request audit advice on the reasonableness of the contractor's accounting system from the DCAA. The purpose is to make sure the contractor has a system in place, or has designed a system capable of accounting for and billing costs on government contracts. The DCAA's ability to provide these audit services in a timely manner is critical for awarding contracts on time and progress billings. The DCAA uses the 90-day benchmark to measure timeliness in delivering pre-award services.

- 6. Truth in Negotiations (TiN) Audits Completed.** In FY 2024 and beyond, the DCAA will continue to 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.

- 7. Business System Audits Completed.** In FY 2024 and beyond, the DCAA will continue to focus on oversight of high-risk contractor business systems and adjust the plan for a number of supplementary audits based on three to five year cycles. Therefore, the total number audited in a given year will fluctuate. Business system audits include accounting systems, material management and accounting systems, commonly referred to as MMAS, and estimating systems. These audits are designed to evaluate contractor systems to assess if the systems generate accurate and reliable data for contracting officers to use in determining fair and reasonable prices.

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V. Personnel Summary:

	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>Change FY 2023/ FY 2024</u>	<u>Change FY 2024/ FY 2025</u>
Civilian End Strength (Total)	3,906	3,978	3,965	72	-13
U.S. Direct Hire	3,715	3,773	3,761	58	-12
Total Direct Hire	3,715	3,773	3,761	58	-12
Reimbursable Civilians	191	205	204	14	-1
Civilian FTEs (Total)	3,764	3,931	3,888	167	-43
U.S. Direct Hire	3,573	3,726	3,684	153	-42
Total Direct Hire	3,573	3,726	3,684	153	-42
Reimbursable Civilians	191	205	204	14	-1
Average Annual Civilian Salary (\$ in thousands)	148.5	150.7	152.7	2.1	2.1
Contractor FTEs (Total)	104	131	132	27	1

Personnel Summary Explanations:

In FY 2025, Foreign Military Sales - Contract Administration Services (FMS-CAS) accounts for 99 reimbursable FTEs. This work is funded by Defense Security Cooperation Agency (DSCA) and not included in the DCAA's reimbursable authority. The DCAA has reduced their reimbursable authority to reflect the work done on behalf of DSCA.

Technology investments and automation efficiencies will enable the DCAA to accomplish its contract audit mission with 42 fewer FTEs. The DCAA will continue to focus efforts on high-risk audits with high return on investment to the taxpayer and warfighter.

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2025 Budget Estimates**

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

	FY 2023 Program	Change from FY 2023 to FY 2024		FY 2024 Program	Change from FY 2024 to FY 2025		FY 2025 Program
		Price Growth	Program Growth		Price Growth	Program Growth	
101 EXEC, GEN'L & SPEC SCHEDULES	527,923	26,544	1,982	556,449	16,176	-13,015	559,610
111 DISABILITY COMPENSATION	1,569	79	1,660	3,308	96	-1,663	1,741
121 PCS BENEFITS	1,232	62	373	1,667	48	-357	1,358
0199 TOTAL CIVILIAN PERSONNEL COMPENSATION	530,724	26,685	4,015	561,424	16,320	-15,035	562,709
308 TRAVEL OF PERSONS	12,960	285	-1,416	11,829	248	-1,826	10,251
0399 TOTAL TRAVEL	12,960	285	-1,416	11,829	248	-1,826	10,251
680 BUILDING MAINT FUND PURCH	1,592	103	-352	1,343	1	275	1,619
696 DFAS FINANCIAL OPERATION (OTHER DEFENSE AGENCIES)	5,874	45	-680	5,239	242	190	5,671
0699 TOTAL OTHER FUND PURCHASES	7,466	148	-1,032	6,582	243	465	7,290
771 COMMERCIAL TRANSPORT	1,542	31	234	1,807	38	-48	1,797
0799 TOTAL TRANSPORTATION	1,542	31	234	1,807	38	-48	1,797
912 RENTAL PAYMENTS TO GSA (SLUC)	12,398	273	1,062	13,733	288	-1,225	12,796
913 PURCHASED UTILITIES (NON-FUND)	133	3	53	189	4	19	212
914 PURCHASED COMMUNICATIONS (NON-FUND)	10,640	234	1,365	12,239	257	-2,802	9,694
915 RENTS (NON-GSA)	727	16	83	826	17	-31	812
917 POSTAL SERVICES (U.S.P.S)	131	3	61	195	4	-5	194
920 SUPPLIES & MATERIALS (NON-FUND)	1,307	29	-256	1,080	23	190	1,293
921 PRINTING & REPRODUCTION	15	0	-2	13	0	0	13
922 EQUIPMENT MAINTENANCE BY CONTRACT	65	1	-44	22	0	0	22
923 FACILITIES SUST, REST, & MOD BY CONTRACT	1,674	37	721	2,432	51	97	2,580
925 EQUIPMENT PURCHASES (NON-FUND)	15,638	344	-9,569	6,413	135	-2,713	3,835
960 OTHER COSTS (INTEREST AND DIVIDENDS)	0	0	1	1	0	0	1
987 OTHER INTRA-GOVT PURCH	7,644	168	4,868	12,680	266	17,831	30,777
989 OTHER SERVICES	10,196	224	1,939	12,359	260	1,923	14,542
990 IT CONTRACT SUPPORT SERVICES	25,335	557	-1,773	24,119	506	-9,822	14,803

**Defense Contract Audit Agency
 Operation and Maintenance, Defense-Wide
 Fiscal Year (FY) 2025 Budget Estimates**

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

	FY 2023 <u>Program</u>	<u>Change from FY 2023 to FY 2024</u>		FY 2024 <u>Program</u>	<u>Change from FY 2024 to FY 2025</u>		FY 2025 <u>Program</u>
		<u>Price Growth</u>	<u>Program Growth</u>		<u>Price Growth</u>	<u>Program Growth</u>	
0999 TOTAL OTHER PURCHASES	85,903	1,889	-1,491	86,301	1,811	3,462	91,574
9999 GRAND TOTAL	638,595	29,038	310	667,943	18,660	-12,982	673,621