

# FY 2001 Budget Estimate

## Defense Contract Audit Agency

(DCAA)



DEFENSE CONTRACT AUDIT AGENCY  
Operations And Maintenance, Defense-Wide  
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**I. Description of Operations Financed:**

1. Narrative Description: The Defense Contract Audit Agency (DCAA) is a worldwide, single mission Agency responsible for assisting Department of Defense (DoD) acquisition authorities in achieving sound contract pricing. This assistance is done by evaluating contractor forward pricing proposals; providing contracting officers with accounting and financial advisory services useful to "could cost" and "should cost" assessments and negotiations; verifying the propriety and acceptability of costs charged by contractors to flexibly priced Government contracts; and deterring contractors' inefficient practices which, if not detected and corrected, could lead to excessive costs and contract prices.

DCAA's workload originates primarily from the effort required to audit and monitor DoD acquisitions of equipment, materials, and/or services from civilian contractors and universities by expenditure of Procurement and Research, Development, Test, and Evaluation (RDT&E) funds appropriated by Congress each year. Other factors affecting contract audit workload are (i) DoD procurement policies, (ii) the implementation of existing Cost Accounting Standards (PL 100-679), (iii) audits performed for the military departments in connection with the Foreign Military Sales (FMS) Program, (iv) the interest by DoD officials and the Congress in the nature of costs charged to defense contracts, (v) audits for economy and efficiency, and (vi) 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 the Quadrennial Defense Review recommendations and related DoD initiatives.

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

2. Performance Measures and Results: DCAA has entered into a performance contract with the Defense Management Council that sets performance standards for its two major product lines - forward pricing and incurred cost audits. The contract includes deliverables of average cost per million dollars audited and dollars audited per work year. This budget submission contains the following values for the contracted metrics.

	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
Forward Pricing:			
Cost per million dollars audited	\$ 749	\$ 727	\$ 727
Million dollars audited per work year	\$ 97.6	\$106.9	\$111.3
Incurred Cost:			
Cost per million dollars audited	\$1,193	\$1,243	\$1,268
Million dollars audited per work year	\$ 61.3	\$ 62.5	\$ 63.8

In addition to the unit cost and productivity standards, the contract also has measures for customer responsiveness and a requirement to complete customer surveys. DCAA has a goal to achieve an agency-wide average of 30 days or less audit cycle time on forward pricing audits. It also has a goal to complete the audits of all adequate incurred cost submissions within 12 months of receipt at major contractors and corporate offices and within 24 months of receipt for all other adequate incurred cost submissions. These goals were established to meet contracting office needs for awarding and closing out contracting actions.

It should be noted that savings to the Government, as a result of contract audit services, far exceed the cost of DCAA operations. For example, in FY 1999 the Agency audited \$94.8 billion of incurred cost and reviewed 9,834 forward pricing proposals amounting to \$64.9 billion. Approximately \$2.6 billion in net savings were reported during the year. When compared to the \$358 million expended for the Agency's operations, the return on taxpayers' investment in DCAA was approximately \$7 for each dollar invested.

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**II. Force Structure Summary:** The workload of DCAA is divided into the major functional categories described below:

1. Forward Pricing Effort. The Federal Acquisition Regulations (FAR) and Public Law 100-679, Cost Accounting Standards (CAS) require Department of Defense (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 forward pricing audit effort is to assist contracting officers in determining and negotiating fair and reasonable prices for negotiated Government contracts. Preaward services furnished to contracting officers by DCAA include:

a. Price Proposal Audits. These audits are performed to determine the reasonableness of contractors' price proposals submitted in anticipation of negotiating Government contracts. They are specifically requested by contracting officers and must be accomplished within a short period of time 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 and Participation on Integrated Product Teams (IPTs). Should cost studies are initiated by procuring activities who organize a team of specialists and review a contractor's price proposal to determine what a particular procurement could or should cost, depending on which study is being performed. DCAA auditors participate as members of the team of specialists. Such studies usually involve large major weapon system procurements. DCAA auditors also participate on IPTs that include representatives from all appropriate organizations and functional disciplines (normally DCAA, the buying activities, DCMC, and the contractor). Working together with the team leader, the objective is to avoid rework at the end of process by identifying problems and finding potential solutions at the earliest possible point in the procurement process.

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c. Forward Pricing Rate Reviews. These reviews are performed to determine the reasonableness of projected labor, overhead, and other indirect expense rates submitted by a contractor prior to submission of price proposals. These rates are normally separately negotiated by a contracting officer and then used by the contractor in subsequent price

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

proposals. Beginning in FY 2000, DCAA is providing "rapid rates" services to major buying commands for contractors that are expected to do business with the Government during the year. The DCAA initiative is to proactively seek out and audit rate information from prospective Government contractors so that the information can be available for buying offices to use within hours of a request. This initiative supports the Department's Civil-Military Integration/Commercial Buying activities and will both reduce the procurement cycle time and provide better data within the time frames available for decision making.

d. Specific Cost Element Reviews and Agreed Upon Procedures. Specific cost element reviews are audits of only specific cost elements within a proposal (e.g., only proposed material or labor costs). 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. These reviews 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 either a joint team review in which the experience and capabilities of the auditor and technical specialist are combined, or they may be comprehensive reviews performed solely by auditors. Additionally, these reviews include effort to recommend corrective actions on conditions causing deficiencies disclosed in price proposal evaluations or other audit areas which require immediate reporting and

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resolution. This also includes the effort required to determine the status of corrective actions taken by contractors on previously disclosed deficiencies.

f. Other. This effort includes 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 acceptable in accordance with contract terms, FAR, and Cost Accounting Standards (CAS) rules

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

and regulations, if applicable. Although the performance of these incurred cost audits and CAS compliance audits are normally self-initiated, they must be accomplished in order 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. DCAA operations audits are systematic reviews of contractor organizational units and functions to evaluate the reasonableness of methods and practices employed on Government contracts.

4. Special Audits. These audits are normally requested by the contracting officer and include reviews of termination claims, progress payment requests, equitable adjustment claims, hardship claims, escalation claims, and contractor financial capability. They must be accomplished within a short period of time to avoid adverse effects such as additional claims for interest on amounts due or contractor financial failure. DCAA has

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little control on the number or timing of these reviews and must respond to all such requests.

5. Defective Pricing Reviews. The Truth in Negotiations Act (TINA), as codified in 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 is responsible for performing 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.

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

7. Other Direct Audit Effort. DCAA's audit mission includes other audit-related activities such as providing on-site assistance to procurement and contract administration offices, contract audit coordination (CAC) 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. DoD Directive 5105.36, dated 9 June 1965, authorized the Director, DCAA to establish and maintain liaison auditors, as appropriate, at major procuring and contract administration offices. The primary functions of procurement liaison

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

b. Financial Advisory Service Center. Financial advisory services positions have been established to provide on-site financial analysis and professional auditing advice to contracting officers at buying command locations. These positions were established to meet the changing needs of the procurement community as acquisition reform has 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) Program. A CAC program has 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 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. A fundamental requirement of DCAA's mission is to provide contract audit services and to be the principal accounting and financial advisor to contracting officials. Many times audit results involve complex accounting issues



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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 further explain the audit position, perform analyses of additional contractor data presented at the negotiation table, and provide any other accounting and/or financial assistance the contracting officer may require during the negotiation process.

e. External Audit Interface. This activity includes effort expended to develop information and comment on reports from the GAO, DoD IG, or other government inspector general offices. This activity also includes effort related to discussions and conferences and any interface involving any other government audit organization.

f. 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. This activity 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. This activity represents effort expended by the field to prepare annual audit requirements and 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

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

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.

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8. Field Support. This category includes support personnel in the five regional offices, the Defense Contract Audit Institute, the Information Technology Division, and the Technical Audit Services Division.

a. Regional Offices. These 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. Defense Contract Audit Institute (DCAI). DCAI provides both centralized and decentralized training for DCAA's audit staff. The Institute offers contract audit oriented courses. In addition, DCAI's trained instructors provide contract audit training segments in courses and seminars offered by other DoD and non-DoD agencies.

c. Information Technology Division (OIT). 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.

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

e. 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.

f. Other. This category includes personnel from the Defense Legal Service (DLS).

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9. Headquarters. DCAA Headquarters performs the work normally associated with the central office of a professional organization. It develops policy and promulgates instructions and operating directives needed to perform the Agency mission. It performs oversight reviews of regional and field office operations and advises regional offices on resource management matters, including the recruitment and training of personnel. In addition, Headquarters personnel interface with other DoD components as well as other Government agencies and Congressional committees on contract audit matters.

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

	FY 1999	FY 2000			FY 2001
	<u>Actuals</u>	<u>Budget Request</u>	<u>Appropriation</u>	<u>Current Estimate</u>	<u>Estimate</u>
<b>A. <u>Budget Activity Group</u></b>					
DCAA Operations	294,739	323,466	319,217	312,129	331,633
DCAA Communications	4,474	6,661	5,019	5,019	5,386
DCAA Management HQ	<u>10,977</u>	<u>10,497</u>	<u>11,387</u>	<u>11,387</u>	<u>11,639</u>
<b>TOTAL</b>	<b>310,190</b>	<b>340,624</b>	<b>335,623</b>	<b>328,535</b>	<b>348,658</b>

	<u>Change</u> <u>FY 2000 / FY 2000</u>	<u>Change</u> <u>FY 2000 / FY 2001</u>
<b>B. <u>Reconciliation Summary</u></b>		
<b>1 Baseline Funding</b>	<b>340,624</b>	<b>328,535</b>
a) Distributed Congressional Adjust.	-4,000	
b) Undistributed Congressional Adjust.	-293	
c) General Provision Congressional Adj.		
d) Congressional Earmarks		
e) Congressional Earmarks Billpayers	-708	
<b>2 Appropriated Amount (Subtotal)</b>	<b>335,623</b>	
a) Adjustments to Meet Cong. Intent		
b) Across-the- board Reduc. (Rescission)	-886	
c) Approved Reprogrammings/Transfers		
<b>3 Price Change</b>		<b>12,523</b>
<b>4 Program Changes</b>	<b>-6,202</b>	<b>7,600</b>
<b>5 Current Estimate</b>	<b>328,535</b>	<b>348,658</b>

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C. Reconciliation FY 2000 President's Budget

1. FY 2000 President's Budget	340,624
2. Congressional Adjustments (Distributed)	
a. Low Priority Program Growth	-4,000
3. Total Congressional Adjustments (Distributed)	-4,000
4. Congressional Adjustments (Undistributed)	
a. O&M Defense-Wide Related	-293
5. Total Congressional Adjustments (Undistributed)	-293
6. Congressional Earmark Bill Payers	-708
7. FY 2000 Appropriated Amount	335,623
8. Rescission	-886
9. Program Decreases	
a. Reduction of 128 Workyears	-6,202
During the period 1 July through 31 October 1999 DCAA experienced unprecedented attrition (325 losses), which prevented achievement of funded workyears and caused the Agency to end the Fiscal Year at a lower level than projected. Workyears were reduced commensurate with these levels.	
10. Total Program Decreases	-6,202

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C. Reconciliation FY 2000 President's Budget (Continued)

11. Revised FY 2000 Current Estimate		328,535
12. Price Change	12,523	
13. Program Increases		
a. Increase of 60 Direct Workyears	4,273	
During FY 2000 DCAA undertook an aggressive auditor recruitment program and will be postured to execute FY 2001 based upon workload requirements.		
b. Travel and Transportation - Due to the closing/consolidation of Field Audit Offices, the geographic coverage of the remaining FAOs is expected to increase.	1,021	
c. PCS	407	
d. Equipment Purchases - Necessary to support additional staffing and for additional IT equipment	460	
e. DFAS Increases - Necessary for financial and HRM support for additional staffing.	300	
f. GSA Rental Costs	382	
g. Communications Costs - To support growing reliance on the agency Intranet and other growing ADP requirements including the paperless contracting initiative	299	
h. Other Program Growth	458	
14. Total Program Increases	7,600	
15. FY 2001 Budget Request		348,658

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

	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>Notes</u>
Forward Pricing	665	695	717	1
Incurred Cost Effort:				
Regular Incurred Costs Audits	1,465	1,299	1,305	
CAS Compliance Audits	<u>81</u>	<u>91</u>	<u>89</u>	
Total Incurred Cost	1,546	1,390	1,394	2
Operations Audits	43	55	55	3
Special Audits	370	373	368	4
Defective Pricing	145	136	134	5
Cost Accounting Standards:	129	125	123	6
Disclosure Statements,				
Cost Impact Audits, Etc.				
Other Direct Audit Effort:				
Procurement Support	249	319	345	7
Audit Support & Planning	<u>359</u>	<u>372</u>	<u>371</u>	8
Total Other Direct	608	691	716	
Field Support:				
Regional Offices	293	309	309	
Field Support	<u>97</u>	<u>102</u>	<u>102</u>	
Total Field Support	390	411	411	9
Headquarters	<u>80</u>	<u>83</u>	<u>81</u>	10
Total Workyears	<u>3,976</u>	<u>3,959</u>	<u>3,999</u>	

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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.

Beginning in FY 2000, DCAA is providing "rapid rates" services to major buying commands for contractors that are expected to do business with the Government during the year. The DCAA initiative is to proactively seek out and audit rate information from prospective Government contractors so that the information can be available for buying offices to use within hours of a request. This initiative supports the Department's Civil-Military Integration/ Commercial Buying activities and will both reduce the procurement cycle time and provide better data within the time frames available for decision making.

The forward pricing dollars examined and workyear estimates result in the following productivity metrics.

	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
Amount Examined During Year (\$B)	\$ 64.9	\$ 74.3	\$ 79.8
Workyears	665	695	717
Examined Per Workyear (\$M)	\$ 97.6	\$106.9	\$111.3

Note 2 - The Federal Acquisition Regulations (FAR) require an audit of contractor costs incurred under flexibly priced contracts to determine if the costs are acceptable in



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accordance with contract terms, the FAR, and Cost Accounting Standards (CAS) rules and regulations, if applicable. While the performance of these incurred cost audits is normally self-initiated, they must be accomplished to facilitate the Government's final contract

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

payment to contractors on flexibly priced contracts. However, since the incurred cost area is essentially the only major audit area over 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 contract includes a goal of completing the audits of all adequate incurred cost submissions with 12 months of receipt at major contractors and corporate offices and within 24 months of receipt for all other adequate incurred cost submissions. Any delay in performing these incurred cost audits will also impact DCAA's ability to provide timely support to the Department's expedited and paperless Contract Closeout Initiative and increase 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, estimated workyears and productivity are shown below.

	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>
On Hand Beginning Of Year (\$B)	\$ 60.7	\$ 56.4	\$ 58.8
Received During Year (Adv) (\$B)	<u>90.5</u>	<u>89.3</u>	<u>84.5</u>
Dollars Subject To Audit (\$B)	\$151.2	\$145.7	\$143.3
Examined During Year (\$B)	<u>94.8</u>	<u>86.9</u>	<u>88.9</u>
Ending Inventory (\$B)	<u>\$ 56.4</u>	<u>\$ 58.8</u>	<u>\$ 54.4</u>
Workyears	1,546	1,390	1,394

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Examined Per Workyear (\$ M)	\$ 61.3	\$ 62.5	\$ 63.8
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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

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

risk that excessive contractor overhead costs are priced into or reimbursed on DoD contracts, projected workyears provide staffing levels that will allow DCAA to perform required reviews.

Note 4 - Special audit activity is performed 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 involve accounting issues requiring a high level of audit expertise and oftentimes, substantial audit effort. This workload includes: contract terminations, progress payment requests, financial capability audits, earned value management system reviews and other contract claims. Our estimates reflect consideration of historical experience as well as expectations for productivity improvements.

Note 5 - The Truth in Negotiations Act (TINA), as codified in 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 is responsible for performing 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. The projected workyears will allow DCAA to perform defective pricing reviews at the required levels of effort. Contracts/subcontracts are selected for defective pricing review based on established

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selection criteria that consider contract types, dollar amounts, contractor estimating and accounting systems, historical experience, and audit leads. 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 workyears reflect an anticipated level

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

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.

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. Auditors are frequently asked by Government contracting representatives to attend contract negotiation conferences to provide accounting and financial advice. DCAA is also frequently requested to provide contract audit assistance to investigative organizations from all branches of the Government in its 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.

In FY 1999, we began locating Financial Advisory Service Centers at our major customer sites. Financial advisory service positions have been established to provide on-site financial analysis and professional auditing advice to contracting officers. These positions were established to meet the changing needs of the procurement community as acquisition reform has changed the face of Government contracting and auditing. The

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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. We expect to provide over 70 workyears of financial advisory services to our procurement customers during FY 2000 and an additional 30 workyears in FY 2001.

Note 8 - The audit support and planning effort includes the development of DCAA's audit requirements and program plans necessary to accomplish 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. Effort associated with performing process improvement projects and studies and the processing and approval of contract payments is also included in this category. Workyears required for special projects and studies, and requirements and program

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

planning represent the Agency's continuing efforts to improve audit quality and audit management oversight. 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 Defense Contract Audit Institute (DCAI), the Information Technology and Technical Audit Services divisions, and other field support units. The FY 2000 and 2001 estimates are based on current staffing levels pending planned studies of the field support elements.

Note 10 - Estimated staff levels for DCAA Headquarters reflect the 10% reduction in management headquarters personnel from FY 1999 through FY 2003 mandated by the Deputy Secretary of Defense.

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V. <u>Personnel Summary</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>Change FY 00/FY 01</u>
<u>Civilian End Strength (Total)</u>	3,945	4,004	4,004	0
U.S. Direct Hire	3,939	3,998	3,998	0
Foreign National Direct Hire	1	1	1	0
Total Direct Hire	3,940	3,999	3,999	0
Foreign National Indirect Hire	5	5	5	0
(Reimbursable Civilians				
Included in Above (Memo))	(487)	(478)	(458)	(20)
 <u>Civilian FTEs (Total)</u>	 3,921	 3,959	 3,999	 40
U.S. Direct Hire	3,915	3,953	3,993	40
Foreign National Direct Hire	1	1	1	0
Total Direct Hire	3,916	3,954	3,994	40
Foreign National Indirect Hire	5	5	5	0
(Reimbursable Civilians				
Included in Above (Memo))	(487)	(478)	(458)	(20)

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

		Change FY 1999 to FY 2000				
			Foreign			
	FY 1999	Currency	Price	Program	FY 2000	
	<u>Estimate</u>	<u>Rate Diff</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>	
CIVILIAN PERSONNEL COMPENSATION						
101	Executive, General & Special Schedules	254,546		11,559	4,309	270,414
103	Wage Board	59		2	0	61
104	Foreign National Direct Hire (FNDH)	18		2	29	49
105	Separation Liability (FNDH)	0		0	0	0
106	Benefits to Former Employees	396		18	(56)	358
107	Voluntary Separation Incentive Payments	138		0	562	700
111	Disability Compensation	1,192		0	(27)	1,165
199	Total Civilian Personnel Compensation	256,349		11,581	4,817	272,747
TRAVEL						
308	Travel of Persons	11,383		137	509	12,029
399	Total Travel	11,383		137	509	12,029
OTHER FUND PURCHASES						
647	DISA Information Services	277		2	(49)	230
673	Defense Financing & Accounting Service	2,414		29	0	2,443
678	Defense Security Service	0		0	100	100
679	Cost Reimbursable Purchases	5,663		56	0	5,719
699	Total Purchases	8,354		87	51	8,492
TRANSPORTATION						
771	Commercial Transportation	580		7	0	587
799	Total Transportation	580		7	0	587

DEFENSE CONTRACT AUDIT AGENCY  
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**VI. OP 32 Line Items as Applicable (Dollars in Thousand) (Continued):**

		<u>Change FY 1999 to FY 2000</u>			
		Foreign			
	<u>FY 1999</u>	<u>Currency</u>	<u>Price</u>	<u>Program</u>	<u>FY 2000</u>
	<u>Estimate</u>	<u>Rate Diff</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>
OTHER PURCHASES					
912 Rental Payments to GSA (SLUC)	9,152		110	63	9,325
913 Purchased Utilities (Non-Fund)	47		1	0	48
914 Purchased Communications (Non-Fund)	4,107		50	500	4,657
915 Rents (Non-GSA)	871		11	0	882
917 Postal Services (U.S.P.S.)	367		4	5	376
920 Supplies & Materials (Non-Fund)	6,017		72	44	6,133
921 Printing & Reproduction	68		1	(1)	68
922 Equipment Maintenance by Contract	345		5	0	350
925 Equipment Purchases (Non-Fund)	6,675		80	46	6,801
989 Other Contracts	5,844		70	95	6,009
998 Other Costs	31		0	0	31
999 Total Other Purchases	<u>33,524</u>		<u>404</u>	<u>752</u>	<u>34,680</u>
9999 TOTAL	<u>310,190</u>		<u>12,216</u>	<u>6,129</u>	<u>328,535</u>

DEFENSE CONTRACT AUDIT AGENCY  
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VI. OP 32 Line Items as Applicable (Dollars in Thousand):

		Change FY 2000 to FY 2001			
		Foreign			
	FY 2000	Currency	Price	Program	FY 2001
	<u>Estimate</u>	<u>Rate Diff</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>
CIVILIAN PERSONNEL COMPENSATION					
101	Executive, General & Special Schedules	270,414	11,667	4,171	286,252
103	Wage Board	61	2	0	63
104	Foreign National Direct Hire (FNDH)	49	2	0	51
105	Separation Liability (FNDH)	0	0	0	0
106	Benefits to Former Employees	358	16	1	375
107	Voluntary Separation Incentive Payment	700	0	25	725
111	Disability Compensation	<u>1,165</u>	<u>0</u>	<u>(10)</u>	<u>1,155</u>
199	Total Civilian Personnel Compensation	272,747	11,687	4,187	288,621
TRAVEL					
308	Travel of Persons	<u>12,029</u>	<u>180</u>	<u>1,021</u>	<u>13,230</u>
399	Total Travel	12,029	180	1,021	13,230
OTHER FUND PURCHASES					
647	DISA Information Services	230	3	67	300
673	Defense Financing & Accounting Service	2,443	36	300	2,779
678	Defense Security Service	100	2	(1)	101
679	Cost Reimbursable Purchases	<u>5,719</u>	<u>84</u>	<u>(196)</u>	<u>5,607</u>
699	Total Purchases	8,492	125	170	8,787
TRANSPORTATION					
771	Commercial Transportation	<u>587</u>	<u>9</u>	<u>0</u>	<u>596</u>
799	Total Transportation	587	9	0	596



DEFENSE CONTRACT AUDIT AGENCY  
Operations And Maintenance, Defense-Wide  
Fiscal Year (FY) 2001 Budget Estimates

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

		Change FY 2000 to FY 2001			
		Foreign			
	FY 2000	Currency	Price	Program	FY 2001
	<u>Estimate</u>	<u>Rate Diff</u>	<u>Growth</u>	<u>Growth</u>	<u>Estimate</u>
OTHER PURCHASES					
912 Rental Payments to GSA (SLUC)	9,325		140	382	9,847
913 Purchased Utilities (Non-Fund)	48		1	0	49
914 Purchased Communications (Non-Fund)	4,657		70	299	5,026
915 Rents (Non-GSA)	882		13	0	895
917 Postal Services (U.S.P.S.)	376		5	8	389
920 Supplies & Materials (Non-Fund)	6,133		92	559	6,784
921 Printing & Reproduction	68		1	0	69
922 Equipment Maintenance by Contract	350		6	(1)	355
925 Equipment Purchases (Non-Fund)	6,801		102	460	7,363
989 Other Contracts	6,009		91	515	6,615
998 Other Costs	31		1	0	32
999 Total Other Purchases	<u>34,680</u>		<u>522</u>	<u>2,222</u>	<u>37,424</u>
9999 TOTAL	<u>328,535</u>		<u>12,523</u>	<u>7,600</u>	<u>348,658</u>