

DEFENSE CONTRACT AUDIT AGENCY
FY 2011 Overseas Contingency Operations: Operation Enduring Freedom/Operation Iraqi Freedom
Operation and Maintenance, Defense-Wide
Budget Activity 4 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 OIF/OEF 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 OIF/OEF-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 OIF/OEF and Iraqi reconstruction contracts have significantly increased the Agency's auditable dollar base, as well as data requests and support workload for the auditors, supervisors, managers, and headquarters personnel. 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 preliminary 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 OIF/OEF military operations and reconstruction in Iraq and Afghanistan will be subject to the same performance measurement as all other DCAA audit activities.

II. Force Structure (Not Applicable)

III. Financial Summary (\$ in Thousands)

| CBS No. | CBS Title | FY 2009 Cost of War | FY 2010 Enacted | FY 2010 Supplemental | FY 2010 Total | FY 2011 Request |
|----------------|-------------------|----------------------------|------------------------|-----------------------------|----------------------|------------------------|
| 1.0 | Personnel | \$14,995 | \$12,625 | \$8,008 | \$20,633 | \$25,211 |
| 2.0 | Personnel Support | \$722 | \$936 | \$616 | \$1,552 | \$967 |
| 3.0 | Operating Support | \$314 | \$347 | \$176 | \$523 | \$822 |
| | SAG Totals | \$16,031 | \$13,908 | \$8,800 | \$22,708 | \$27,000 |

A. Major Effort Name

| | | | | | |
|----------------------|----------|----------|---------|----------|----------|
| 1.0 Personnel | \$14,995 | \$12,625 | \$8,008 | \$20,633 | \$25,211 |
|----------------------|----------|----------|---------|----------|----------|

Narrative Justification: Changes between years FY 2010 and FY 2011 are the result of increased required workyears. The FY 2011 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 the contract performance. Overall Cost of War effort will significantly increase from the FY 2009 level as DCAA increases its presence in Afghanistan. In addition, the LOGCAP IV contract is split among multiple contractors and requires DCAA to audit internal control systems at three contractors instead of the one contractor performing under LOGCAP III. Finally, The Commission on Wartime Contracting issued an interim report in June 2009 that expressed concern regarding DCAA’s deferral of audits of contractor business systems. The additional funding is needed to perform these important audits in a timely manner.

Impact if not funded: Failure to provide funds will decrease the timeliness, responsiveness and quantity of DCAA contract audit services and increase the risk to the Government of overbilling, overpricing and inadequate control of contract costs. Increased costs may result as: (1) contractors may bill the Government using overstated billing rates; (2) pricing actions could be based on un-audited data, resulting in overvalued contracts, and; (3) contractors may become less vigilant about scrubbing records for unallowable costs.

| | FY 2009 Cost of War | FY 2010 Enacted | FY 2010 Supplemental | FY 2010 Total | FY 2011 Request |
|---------------------------------------|--------------------------------|----------------------------|---------------------------------|--------------------------|----------------------------|
| B. | | | | | |
| 2.1 Temporary /Additional Duty | \$722 | \$936 | \$616 | \$1,552 | \$967 |

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

Impact if not funded: Lack of funds would result in the inability of auditors to travel to the necessary work site and, therefore, only those audit services that could be performed without traveling would be accomplished.

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|---|--------------|--------------|--------------|--------------|--------------|
| C. | | | | | |
| 3.7 Other Services / Miscellaneous Contracts | \$314 | \$347 | \$176 | \$523 | \$822 |

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 Afghanistan and to the general well-being of the personnel assigned there.

Impact if not funded: The auditors would not be able to live in theater without the support services provided by the State Department. Lack of funds for vehicles and support services would result in the inability of auditors to travel to work sites.

TOTAL DCAA PROGRAM

| | FY 2009 Cost of War | FY 2010 Enacted | FY 2010 Supplemental | FY 2011 Total | FY 2011 Request |
|-------------------|--------------------------------|----------------------------|---------------------------------|--------------------------|----------------------------|
| Total DCAA | \$16,031 | \$13,908 | \$8,800 | \$22,708 | \$27,000 |

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