

Fiscal Year 2013 Budget Estimates
Defense Contract Audit Agency (DCAA)



February 2012

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**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2013 Budget Estimates**

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

	FY 2011 <u>Actuals</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2012 <u>Estimate</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2013 <u>Estimate</u>
DCAA	502,712	673	-8,681	494,704	3,337	75,932	573,973

* The FY 2011 Actual column includes \$31,765 thousand of the FY 2011 Overseas Contingency Operations (OCO) Appropriations funding (PL 112-10).

* The FY 2012 Estimate column excludes \$23,478 thousand of the FY 2012 OCO Appropriations funding (PL 112-74).

* The FY 2013 Estimate column excludes \$30,674 thousand requested in the FY 2013 Defense-Wide OCO Budget Request.

I. Description of Operations Financed:

www.dcaa.mil The Defense Contract Audit Agency (DCAA) is responsible for providing audit services and financial advice to all Department of Defense (DoD) acquisition officials to assist them in achieving fair and reasonable contract prices and assuring compliance with contractual terms and conditions. The DCAA responds to specific acquisition official requests for services across the entire spectrum of contract financial and business matters as well as fulfilling recurring audit work required to monitor cost performance and approve contract payments. The DCAA provides contract audit support to all DoD components as part of the military operations and reconstruction effort in Iraq and Afghanistan. The DCAA also supports the Iraq and Afghanistan effort of other Federal Agencies such as the State Department and U.S. Agency for International Development on a reimbursable basis.

Significant changes between FY 2012 and FY 2013 include increased work years to reduce the backlog of unaudited contractor incurred costs. Reducing the incurred cost backlog is necessary to (1) assist in achieving auditable financial statements, a Secretary of Defense priority; (2) provide DCAA with data needed for forward-pricing audits; and (3)

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I. Description of Operations Financed (cont.)

prevent undue delays in payments of fees to contractors (a portion of fees to contractors is delayed until the contract is closed).

The DCAA is in full support of the Department's FY 2013 Annual Performance Plan. DCAA's FY 2011 Financial Statements received an unqualified opinion from its Independent Public Auditors. DCAA's hiring and training processes support Department goals for hiring timelines and the Defense Acquisition Workforce Improvement Act (DAWIA) Level II and III certification requirements. DCAA's Information Technology (IT) and National Security Systems (NSS) meet or exceed DoD goals.

The DCAA continues to return savings to the Government that exceed the cost of its operations. In FY 2011, the Agency audited \$19 billion of costs incurred on contracts and reviewed 2,681 forward pricing proposals amounting to \$103 billion. Approximately \$3.5 billion in net savings were reported because of the audit findings. The return on taxpayers' investment is approximately \$5.80 for each dollar invested (\$600 million in FY 2011, including reimbursable).

Projected staffing requirements correspond to planned changes in DoD procurement levels and required effort to complete audits of prior year contract expenditures. The DCAA workload is divided into the major functional categories described below:

	(1)	(2)	(3)
<u>Execution of Workyears</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
1. Forward Pricing	1,220	899	899
2. Incurred Cost Effort:			
Regular Incurred Cost	1,244	1,409	2,118
CAS Compliance Audits	38	36	36
Total Incurred Cost	1,282	1,445	2,154
3. Operations Audits	14	16	16

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I. Description of Operations Financed (cont.)

<u>Execution of Workyears</u>	<u>(1)</u> <u>FY 2011</u>	<u>(2)</u> <u>FY 2012</u>	<u>(3)</u> <u>FY 2013</u>
4. Special Audits	659	490	490
5. Postaward Audits	39	39	39
6. Cost Accounting Standards: Disclosure Statements, Cost Impact Audits, Etc.	212	189	189
7. Other Direct Audit Effort: Procurement Support	235	203	203
Audit Support & Planning	481	407	407
Total Other Direct	716	610	610
8. Field Support: Regional Offices	289	294	294
Field Support	126	126	126
Total Field Support	415	420	420
9. Headquarters	155	161	161
Total Workyears	4,712	4,269	4,978
(1) Actual WYs include 3,922 baseline, 206 OCO, 57 overtime plus 527 DAWDF.			
(2) Includes O&M WYs of 4,269 excluding DAWDF (442).			
(3) Includes O&M WYs of 4,978 excluding DAWDF (167).			

1. **Forward Pricing Effort.** The Federal Acquisition Regulations (FAR) and Public Law 100-679, Cost Accounting Standards (CAS), require DoD procurement officials to comply with various administrative procedures before entering into contracts. These procedures include obtaining pertinent accounting and financial advice before making decisions related to prospective contract prices. The ultimate goal of the forward pricing audit effort is to assist contracting officers in determining and negotiating fair and reasonable prices for negotiated Government contracts. The DCAA furnishes pre-award services to contracting officers including:

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I. Description of Operations Financed (cont.)

a. Price Proposal Audits. The DCAA performs these examinations to 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 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 top priority.

b. Forward Pricing Rate Reviews. The DCAA performs these examinations to 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. Audits of Parts of Proposals and Agreed Upon Procedures. Audits of parts of proposals are audits of only specific cost elements within a proposal (e.g., only proposed material or labor costs, or overhead rates). Applications of agreed-upon procedures include cost realism reviews and all reviews of information other than cost or pricing data submitted in support of a price proposal. The DCAA provides these services to meet the specific needs of contracting officers.

d. Estimating System Surveys. The DCAA performs these examinations to determine the reliability of contractors' estimating methods and procedures used to prepare price proposals, and whether they provide a basis for negotiating fair and reasonable prices. Systems surveys may be either a joint team review combining experience and capabilities of the auditor and technical specialist, or comprehensive reviews performed solely by auditors. DCAA also recommends corrective actions on conditions causing deficiencies disclosed in price proposal evaluations or other audit areas which require immediate reporting and resolution. This category also includes the effort required to determine

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I. Description of Operations Financed (cont.)

the status of corrective actions taken by contractors on previously disclosed deficiencies.

e. 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 for smaller procurements when information is readily available within DCAA's files.

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 CAS rules and regulations, if applicable. The scheduling of incurred cost audits and CAS compliance audits is more flexible than customer requested audits; nonetheless, these audits must be accomplished for the Government to make final payment to the contractor. The incurred cost effort includes reviews of direct labor and material costs and indirect expenses. It also includes reviews 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, knowledge of contractors' accounting and other business systems gained during these audits is invaluable to the evaluation of contractors' price proposals.

The FY 2013 budget estimate contains a significant increase for the specific purpose of reducing the backlog of unaudited contractor incurred costs. Over the past 3 years, DCAA shifted resources away from audits necessary to close contracts (incurred cost audits) in order to focus on performing Generally Accepted Government Auditing Standards (GAGAS) - compliant audits for large contract proposals where audits can help contracting officers negotiate lower prices. This resulted in an increase in the incurred cost

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I. Description of Operations Financed (cont.)

backlog of approximately \$420 billion between FY 2008 and FY 2011. DCAA will use the increased funding in FY 2013 for additional audit staff specifically to reduce the backlog. Beginning in FY 2012, DCAA is establishing incurred cost teams who will focus all of their efforts on the incurred cost audits until the backlog is reduced to an acceptable level. These dedicated teams will increase efficiencies by lowering learning curves and eliminating disruptions from competing audit assignments. DCAA is also seeking authority to examine only a sample of incurred-cost audits that pose lower risk. Clearing the incurred cost backlog is necessary to (1) assist in achieving auditable financial statements, a Secretary of Defense priority; (2) provide DCAA with data needed for forward-pricing audits; and (3) prevent undue delays in payments of fees to contractors (a portion of fees to contractors is delayed until the contract is closed).

3. **Operations Audits.** The DCAA also performs a variety of economy and efficiency audits of contractor operations. The 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.** The contracting officer normally requests these audits that include examinations of termination claims, progress payment requests, and equitable adjustment claims. They must be accomplished within a short period to avoid adverse effects such as additional claims for interest on amounts due. The special audits category also includes examinations of contractor earned value management systems which DCAA performs as part of a team lead by the Defense Contract Management Agency. This category also includes accounting system audits that DCAA performs for procurement contracting offices prior to contract award, and various other types of effort requested by the contracting officers. The DCAA has little control over the number or the timing of these audits and must respond to all such requests as a priority.

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5. **Postaward Audits.** The Truth in Negotiations Act (TINA) (10 USC §2306a) requires contracting officers to obtain cost or pricing data from contractors before awarding a contract unless an exception applies. Under TINA, the Government has the right to examine these records to ensure that 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 cost or pricing information in negotiating a contract.

6. **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 DCAA responsibility for examining contractors' implementation and compliance with the CAS rules and regulations.

7. **Other Direct Audit Effort.** The other audit-related activities include providing on-site assistance to procurement and contract administration offices, contract audit coordinator programs, and negotiation support. This activity also includes effort related to Congressional, Government Accountability Office (GAO), DoD Inspector General (DoD IG), and other external requests, surveys, and reports. The major functions are:

a. **Financial Liaison.** The DCAA maintains liaison advisors, as appropriate, at major procuring and contract administration offices. The primary functions of financial liaison advisors are to: (i) facilitate effective communication and coordination between procurement officers and auditors; (ii) 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 (iii) provide DCAA management with information on the adequacy, responsiveness and timeliness of audit services rendered to procurement and contract administration offices.

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b. Contract Audit Coordinator (CAC) Program. The DCAA established a CAC program 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 maintains effective communications and audit coordination at these contractor locations. The CAC program includes effort to: (i) disseminate information; (ii) monitor problem areas to assure uniform resolution; and (iii) coordinate with other DCAA personnel, contractor representatives, and cognizant procurement officials on issues affecting multiple locations.

c. 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 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.

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 effort related to discussions and conferences, and any interface involving any other government audit organization.

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

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I. Description of Operations Financed (cont.)

develops evidence for presentation to an U.S. attorney or a grand jury, and/or for use at a trial.

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 or Headquarters. The projects normally relate to new and/or innovative ways of performing DCAA's audit mission, and often add to the body of knowledge needed to enhance Agency mission accomplishment through the development and application of improved audit and/or audit management technology and techniques.

8. **Field Support**. This category includes support personnel in the six regional offices, the Information Technology Division, Technical Audit Services Division, and Defense Legal Services.

a. Regional Offices. These offices provide technical audit management and supervision, and logistical support in the form of personnel services, financial management, and administrative services to field office personnel.

b. Defense Contract Audit Institute (DCAI). The DCAI develops and delivers training for approximately 4,200 contract auditors and is an affiliated member of the Defense Acquisition University. The DCAI directs and controls the development and delivery of classroom courses, seminars, computer-based self-study courses, and internet-based, instructor-led courses. The DCAI has program management responsibility for training and career development in the DCAA. It assures that programs of instruction, courses, and training materials meet DoD standards, GAGAS, and National Association of State Boards of Accountancy (NASBA) standards. The DCAI provides policy guidance to the regional offices and field audit offices, where appropriate, regarding training and education, and provides overall monitoring and evaluation of Agency training not

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I. Description of Operations Financed (cont.)

conducted by the Institute. The DCAI ensures training materials are up-to-date and develops new courses when required by the changing audit environment. The DCAI, located on the south campus of the University of Memphis, also serves as a meeting center for various Agency groups. The Institute is co-located with the DCAA Information Technology Division and Technical Audit Services Center in Memphis, Tennessee.

c. Information Technology Division (OIT). OIT is responsible for the design, development, and maintenance of Agency-specific automated information systems (AIS), web applications and audit software. It employs a computer hardware acquisition strategy/plan to ensure that AIS and personal computing needs are satisfied. It is also responsible for operating the Agency-wide communications infrastructure, monitoring network performance, and managing DCAA's information assurance program.

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; and supports the field offices in implementation of DoD electronic commerce initiatives.

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. Defense Legal Service. This category includes personnel from the Defense Legal Service assigned to DCAA.

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I. Description of Operations Financed (cont.)

9. **Headquarters.** The 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 audit quality, and advises regional offices on resource management matters, including recruitment and financial management. Headquarters personnel also interface with other DoD components and other Government agencies and Congressional committees on contract audit matters.

II. Force Structure Summary:

Not Applicable.

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III. Financial Summary (\$ in thousands)

	FY 2012							FY 2013 Estimate
	FY 2011 Actuals	Budget Request	Congressional Action		Current Estimate			
			Amount	Percent Appropriated				
A. BA Subactivities								
1. Audit Institute	7,696	8,107	0	0.0	8,107	8,390	8,464	
DCAA Communications	15	12	0	0.0	12	10	10	
DCAA Operations	7,681	8,095	0	0.0	8,095	8,380	8,454	
2. Audit Operations	495,016	500,715	-14,118	-2.8	486,597	486,314	565,509	
DCAA Communications	4,302	6,024	0	0.0	6,024	4,588	5,339	
DCAA Major Headquarters	27,822	31,666	0	0.0	31,666	28,559	29,160	
DCAA Operations	462,892	463,025	-14,118	-3.1	448,907	453,167	531,010	
Total	502,712	508,822	-14,118	-2.8	494,704	494,704	573,973	

* The FY 2011 Actual column includes \$31,765 thousand of the FY 2011 Overseas Contingency Operations (OCO) Appropriations funding (PL 112-10).

* The FY 2012 Estimate column excludes \$23,478 thousand of the FY 2012 OCO Appropriations funding (PL 112-74).

* The FY 2013 Estimate column excludes \$30,674 thousand requested in the FY 2013 Defense-Wide OCO Budget Request.

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III. Financial Summary (\$ in thousands)

B. Reconciliation Summary

	Change FY 2012/FY 2012	Change FY 2012/FY 2013
Baseline Funding	508,822	494,704
Congressional Adjustments (Distributed)	-13,100	
Congressional Adjustments (Undistributed)	-821	
Adjustments to Meet Congressional Intent		
Congressional Adjustments (General Provisions)	-197	
Subtotal Appropriated Amount	494,704	
Fact-of-Life Changes (2012 to 2012 Only)		
Subtotal Baseline Funding	494,704	
Supplemental	23,478	
Reprogrammings		
Price Changes		3,337
Functional Transfers		
Program Changes		75,932
Current Estimate	518,182	573,973
Less: Wartime Supplemental	-23,478	
Normalized Current Estimate	494,704	

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	Amount	Totals
C. Reconciliation of Increases and Decreases		
FY 2012 President's Budget Request (Amended, if applicable)		508,822
1. Congressional Adjustments		-14,118
a. Distributed Adjustments		
1) Congressional Adjustments	-13,100	
b. Undistributed Adjustments		
1) Unobligated Balances	-821	
c. Adjustments to Meet Congressional Intent		
d. General Provisions		
1) Sec 8034 - Mitigation of Environment Impacts	-197	
FY 2012 Appropriated Amount		494,704
2. War-Related and Disaster Supplemental Appropriations		23,478
a. OCO Supplemental Funding		
1) FY 2012 OCO Appropriations funding (PL 112-74)	23,478	
3. Fact-of-Life Changes		
FY 2012 Baseline Funding		518,182
4. Reprogrammings (Requiring 1415 Actions)		
Revised FY 2012 Estimate		518,182
5. Less: Item 2, War-Related and Disaster Supplemental Appropriations and Item 4, Reprogrammings		-23,478
FY 2012 Normalized Current Estimate		494,704
6. Price Change		3,337
7. Functional Transfers		
8. Program Increases		76,976
a. Annualization of New FY 2012 Program		
b. One-Time FY 2013 Increases		
c. Program Growth in FY 2013		
1) One More Pay Day	1,565	
Additional FY 2013 pay day.		
2) Personnel Increases	67,798	
The increase in personnel compensation is commensurate		

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C. Reconciliation of Increases and Decreases	Amount	Totals
with an increase of 691 Auditor FTEs. DCAA will assign auditors to incurred cost teams who will focus all of their efforts on the incurred cost backlog. Reducing the incurred cost backlog is necessary to (1) assist in achieving auditable financial statements, a Secretary of Defense priority; (2) provide DCAA with data needed for forward-pricing audits; and (3) prevent undue delays in payments of fees to contractors (a portion of fees to contractors is delayed until the contract is closed). Note: FY 2013 average salary decreased because auditor hiring is below Agency average salary. (Baseline \$423,551K, Workyears of 3,775)		
3) Travel Supports mission and training travel for increased audit staff. (Baseline \$14,105K)	2,292	
4) Facilities GSA leases rent/facility renovations to accommodate increased audit staff. (Baseline \$12,848K)	1,287	
5) Supplies Supplies and Computer equipment for increased audit staff. (Baseline \$8,134K)	1,170	
6) IT IT Support contract - Help Desk in support of increased audit staff. (Baseline \$7,944K)	989	
7) Software Software licenses necessary to support increased audit staff. (Baseline \$4,533K)	736	
8) Purchased Communications Purchased communications increase is attributable to changes in local communication services required to	673	

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III. Financial Summary (\$ in thousands)

C. Reconciliation of Increases and Decreases	Amount	Totals
support increased audit staff. (Baseline \$4,598K)		
9) Other Intra-Government Purchases	390	
Increase is the result of security investigations associated with increased audit staff. (Baseline \$10,638K)		
10) PCS	48	
Permanent Change of Station (PCS) increase associated with overseas rotational assignments. (Baseline \$2,825K)		
11) Training Tuition Costs	28	
Training tuition costs associated with increased audit staff. (Baseline \$2,585K)		
9. Program Decreases		-1,044
a. Annualization of FY 2012 Program Decreases		
b. One-Time FY 2012 Increases		
c. Program Decreases in FY 2013		
1) Travel	-780	
Travel efficiencies gained by a per capita adjustment. (Baseline \$14,105K)		
2) DFAS	-151	
Reduced DFAS costs because of increased savings from implemented efficiencies affecting DFAS Operations. (Baseline \$3,759K)		
3) Printing and Reproduction	-113	
Printing and Reproduction efficiencies gained by reducing printing of the Contract Audit Manual by 50% as the document is available on-line for workforce use, and PCS reduction of \$1K. (Baseline \$1,146K)		
FY 2013 Budget Request		573,973

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IV. Performance Criteria and Evaluation Summary:

DCAA's goal is to provide quality audit services performed in accordance with Generally Accepted Government Auditing Standards. The DCAA has developed audit performance measures which assess the quality of the audits, the timeliness of the audit services, and the efficient and effective use of budgetary resources.

Performance Based Measures

Overview. As a single mission organization, 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, 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 DCAA's budget. Statutory and regulatory requirements, designed to ensure that the Government meets its fiduciary responsibilities to the public, drive the majority of DCAA's workload. In this capacity, DCAA supports the oversight and internal control responsibilities of the Office of the Secretary of Defense, the DoD Inspector General, the Government Accountability Office, and the Congress.

The DCAA performs audits primarily for contracting officers in the Departments of the Army, the Navy, and the Air Force, and the Defense Contract Management Agency. Audit services provided by 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. The DCAA also performs on a reimbursable basis contract audit services for many other federal agencies.

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IV. Performance Criteria and Evaluation Summary:

DCAA's Strategic Plan. DCAA issued a new Strategic Plan in November 2010. The Strategic Plan is founded on a Mission Statement, followed by a Vision Statement, Values and Goals. To address key challenges and fulfill its mission, DCAA has developed a strategic planning approach which aims to achieve DCAA's Vision through its pursuit of several goals to be accomplished within a 5-year time frame. DCAA also published its first Human Capital Plan which tiers from the Strategic Plan, and addresses strategies related to recruitment, on boarding, employee development, retention and succession planning.

DCAA Strategic Plan Goals

Goal 1: "One Agency" with a culture of teamwork, excellence, accountability, mutual respect, integrity, and trust.

Goal 2: High-quality audits and other financial advisory services.

Goal 3: Highly skilled and motivated professionals dedicated to excellence in accomplishing our mission.

Goal 4: Effective working relationships with DCAA external stakeholders.

Goal 5: The workforce has the right space, the right equipment, and the right technology at the right time to successfully deliver on the mission.

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IV. Performance Criteria and Evaluation Summary:

Summary of Performance Based Measures. The chart below summarizes our Audit Performance Measures. As stated, DCAA recently issued an entirely new Strategic Plan within the past year. However, performance measures that align with the new goals have not yet been established. As a result, the audit performance measures discussed below may change for FY 2012 and 2013. Detailed descriptions are provided for each of the existing measures.

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IV. Performance Criteria and Evaluation Summary:

<u>Notes</u>	<u>Audit Performance Measures</u>	<u>FY 2011</u> <u>Actual</u>	<u>FY 2012</u> <u>Objective</u> <u>(Est.)</u>	<u>FY 2013</u> <u>Objective</u> <u>(Est.)</u>
	<u>Quality Related Measures:</u>			
1	DoD IG Opinion on Council of Inspectors General on Integrity and Efficiency (CIGIE) Review	No Current Opinion	Unqualified Opinion	Unqualified Opinion
2	DCAA Internal CIGIE Reviews	68%	100%	100%
3	Quantitative Methods Usage	28%	TBD	TBD
4	CPE Requirements	100%	100%	100%
	<u>Timeliness Measures:</u>			
5	Forward Pricing Audits Issued by Due Date	73%	TBD	TBD
6	Reduction in Incurred Cost Backlog	N/A	TBD	TBD
	<u>Efficiency Measure:</u>			
7	Cost per Direct Audit Hour	\$136.16	TBD	TBD

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IV. Performance Criteria and Evaluation Summary:

Description of Performance Measures:

1. Opinion received from the Department of Defense Inspector General (DoDIG) on the Council of Inspectors General on Integrity and Efficiency (CIGIE) reviews. The Government Auditing Standards, as promulgated by the Government Accountability Office, requires each audit organization that conducts audits in accordance with these standards have an internal quality control system in place and undergo an external quality control review. The internal quality control system established by each audit organization should provide reasonable assurance that it has (1) adopted, and is following, applicable auditing standards and (2) established, and is following, adequate audit policies and procedures. Organizations conducting audits in accordance with these standards should have an external quality control review at least once every three years by an organization not affiliated with the organization being reviewed. These external quality control reviews are conducted based on guidelines established by the CIGIE. An unqualified opinion represents full compliance with auditing standards with no reportable deficiencies.

2. DCAA Internal CIGIE Results. The DCAA uses this measure to validate the quality of audits completed. DCAA's Quality Assurance organization performs these reviews. The goal is for 100 percent of the audits reviewed under CIGIE guidelines to be evaluated as properly reflecting professional judgment.

3. Quantitative Methods Usage. The DCAA uses this measure to monitor the extent to which advanced level audit techniques such as statistical sampling, improvement curves, and regression analysis are used. The goal is set at a level to encourage use when applicable, but not so high as to promote the use of quantitative techniques when they

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IV. Performance Criteria and Evaluation Summary:

are not appropriate. The FY 2012 and 2013 goals for this measure have not yet been established.

4. Continuing Professional Education Requirements. All DCAA audit staff members must complete 80 hours of continuing professional education (CPE) over a two year period in accordance with the GAGAS published by the GAO. The CPE requirement is consistent with DCAA's Strategic Plan goals for professional competence. The DCAA goal is for 100 percent of auditors to complete the minimum Continuing Professional Education requirements.

5. Percent of forward-pricing proposal audit reports issued by the 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 DCAA. DCAA's ability to provide these audit services in a timely manner is critical to the timely awarding of contracts. The DCAA measures the percent of forward pricing proposal audit reports issued by the due date agreed to between the auditor and requester. The FY 2012 and FY 2013 goals have not yet been established.

6. Reduction in incurred cost backlog. Timely annual audits of costs incurred on contracts by DCAA are an important part of timely contract closeout for Government contracting officers and an important initiative for the Department of Defense. The FY 2012 and 2013 goals have not yet been established.

7. Cost Per Direct Audit Hour (CPDAH). The CPDAH metric measures the control of operating costs. To assess overall success in managing operating costs from year to

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IV. Performance Criteria and Evaluation Summary:

year, each year's goal is set at a rate that will not exceed the prior year's rate when restated in constant dollars. The FY 2012 and 2013 goals have not yet been established.

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V. <u>Personnel Summary</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	Change FY 2011/ FY 2012	Change FY 2012/ FY 2013
<u>Civilian End Strength (Total)</u>	4,262	4,746	5,252	484	506
U.S. Direct Hire	4,256	4,740	5,246	484	506
Foreign National Direct Hire	1	1	1	0	0
Total Direct Hire	4,257	4,741	5,247	484	506
Foreign National Indirect Hire	5	5	5	0	0
Memo: Reimbursable Civilians Included	464	494	512	30	18
<u>Civilian FTEs (Total)</u>	4,128	4,269	4,978	141	709
U.S. Direct Hire	4,122	4,263	4,972	141	709
Foreign National Direct Hire	1	1	1	0	0
Total Direct Hire	4,123	4,264	4,973	141	709
Foreign National Indirect Hire	5	5	5	0	0
Memo: Reimbursable Civilians Included	464	494	512	30	18
Average Annual Civilian Salary (\$ in thousands)	114.5	112.2	110.7	-2.3	-1.5
 <u>Contractor FTEs (Total)</u>	 <u>96</u>	 <u>54</u>	 <u>54</u>	 <u>-42</u>	 <u>0</u>

NOTE: FY 2013 average salary decreased due to auditor hiring below Agency average salary.

**Defense Acquisition Workforce
Development Fund (DAWDF) and Overseas
Contingency Operations (OCO)**

Personnel Summary	FY 2011	FY 2012	FY 2013	Change FY 2011/ FY 2012	Change FY 2012/ FY 2013
DAWDF End Strength (Total)	589	271	76	-318	-195
DAWDF FTEs (Total)	527	442	167	-85	-275
DAWDF Sustained FTEs	28	249	510	221	261
OCO FTEs (Total)	206	153	192	-53	39

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

<u>OP 32 Line</u>	FY 2011 <u>Actuals</u>	Change		FY 2012 <u>Estimate</u>	Change		FY 2013 <u>Estimate</u>
		FY 2011/FY 2012 <u>Price</u>	<u>Program</u>		FY 2012/FY 2013 <u>Price</u>	<u>Program</u>	
101 Exec, Gen'l & Spec Scheds	415,875	0	2,385	418,260	1,568	69,361	489,189
103 Wage Board	46	0	1	47	0	0	47
104 FN Direct Hire (FNDH)	66	0	3	69	0	2	71
111 Disability Compensation	1,125	0	1,225	2,350	0	0	2,350
121 Perm Change of Station	2,380	0	445	2,825	0	48	2,873
199 Total Civ Compensation	419,492	0	4,059	423,551	1,568	69,411	494,530
308 Travel of Persons	18,318	330	-4,543	14,105	240	1,512	15,857
399 Total Travel	18,318	330	-4,543	14,105	240	1,512	15,857
673 Def Fin & Accounting Svc	4,237	-750	272	3,759	623	-151	4,231
699 Total DWCF Purchases	4,237	-750	272	3,759	623	-151	4,231
771 Commercial Transport	859	15	42	916	16	-1	931
799 Total Transportation	859	15	42	916	16	-1	931
912 GSA Leases (SLUC)	12,700	229	-81	12,848	218	1,287	14,353
913 Purch Util (non fund)	6	0	-1	5	0	0	5
914 Purch Com (non fund)	4,317	78	203	4,598	78	673	5,349
915 Rents, Leases (non GSA)	481	9	179	669	11	0	680
917 Postal Svc (USPS)	30	1	-10	21	0	0	21
920 Supplies/Matl (non fund)	4,372	79	-525	3,926	67	526	4,519
921 Print & Reproduction	157	3	70	230	4	-112	122
922 Eqt Maint Contract	4,107	74	352	4,533	77	736	5,346
923 Facilities Maint by Contr	106	2	5	113	2	0	115
925 Eqt Purch (Non-Fund)	4,343	78	-213	4,208	72	644	4,924
960 Interest and Dividends	5	0	0	5	0	0	5
987 Other IntraGovt Purch	12,544	225	-2,131	10,638	181	390	11,209
989 Other Services	2,940	53	-408	2,585	44	28	2,657

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OP 32 Line	FY 2011	Change		FY 2012	Change		FY 2013
	<u>Actuals</u>	<u>FY 2011/FY 2012</u>		<u>Estimate</u>	<u>FY 2012/FY 2013</u>		<u>Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
990 IT Contract Support Ser	13,698	247	-5,951	7,994	136	989	9,119
999 Total Other Purchases	59,806	1,078	-8,511	52,373	890	5,161	58,424
Total	502,712	673	-8,681	494,704	3,337	75,932	573,973

* The FY 2011 Actual column includes \$31,765 thousand of the FY 2011 Overseas Contingency Operations (OCO) Appropriations funding (PL 112-10).

* The FY 2012 Estimate column excludes \$23,478 thousand of the FY 2012 OCO Appropriations funding (PL 112-74).

* The FY 2013 Estimate column excludes \$30,674 thousand requested in the FY 2013 Defense-Wide OCO Budget Request.