

**Fiscal Year 2016 Budget Estimates  
Defense Contract Audit Agency (DCAA)**



**February 2015**

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**Defense Contract Audit Agency  
Operation and Maintenance, Defense-Wide  
Fiscal Year (FY) 2016 Budget Estimates**

**Operation and Maintenance, Defense-Wide Summary (\$ in thousands)**

**Budget Activity (BA) 4: Administrative and Service-wide Activities**

	FY 2014 <u>Actual</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2015 <u>Enacted</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2016 <u>Estimate</u>
DCAA	582,242	6,518	-41,367	547,393	7,172	15,612	570,177

\* The FY 2014 Actual column **includes** \$24,851 thousand of FY 2014 Overseas Contingency Operations (OCO) Appropriations funding (PL 113-76).

\* The FY 2015 Enacted column **excludes** \$22,847 thousand of FY 2015 OCO Appropriations funding (PL 113-235).

\* The FY 2016 Estimate column **excludes** \$18,474 thousand of FY 2016 OCO Budget request.

**I. Description of Operations Financed:**

([www.dcaa.mil](http://www.dcaa.mil)) The Defense Contract Audit Agency (DCAA) is responsible for providing audit services and financial advice to 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 also provides contract audit support during contingency operations. DCAA provides contract audit services, on a reimbursable basis, to other federal entities responsible for acquisition and contract administration. In a typical year, DCAA engages with about 7,500 contractors.

In FY 2016, the DCAA continues efforts to reduce 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) 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).

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**I. Description of Operations Financed (cont.)**

DCAA's FY 2014 Financial Statements received an unqualified opinion from independent public auditors. DCAA has maintained an unqualified audit opinion for the last several years.

The DCAA continues to return savings to the Government that exceed the cost of its operations. In FY 2014, the Agency audited \$111 billion of costs incurred on contracts and issued over 1,000 forward pricing proposal audit reports amounting to \$61 billion. Approximately \$4.5 billion in net savings were reported because of the audit findings. The return on taxpayers' investment is approximately \$6.90 for each dollar invested in the Agency (\$649 million in FY 2014, including reimbursable).

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**I. Description of Operations Financed (cont.)**

DCAA 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.** The Federal Acquisition Regulation (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. DCAA furnishes pre-award services to contracting officers including:

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 a 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.

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**I. Description of Operations Financed (cont.)**

c. Agreed Upon Procedures. 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. DCAA provides these services to meet the specific needs of contracting officers.

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**I. Description of Operations Financed (cont.)**

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 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

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**I. Description of Operations Financed (cont.)**

other business systems gained during these audits is invaluable to the evaluation of contractors' price proposals.

In FY 2016, the DCAA continues efforts to reduce the incurred cost backlog. During FYs 2009 through 2011, 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 backlog of approximately \$420 billion between FY 2008 and FY 2011. Beginning in FY 2012, DCAA established dedicated teams who are focusing on the incurred cost audits until the backlog is reduced to an acceptable level. In July 2012, DCAA received authority to examine incurred cost audits that pose lower risk on a sample basis. As a result, DCAA has made significant progress toward reducing the incurred cost backlog over the past three years.

**3. Operations Audits.** DCAA 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.** The contracting officer normally requests 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 includes accounting system audits that DCAA performs for procurement contracting offices prior to contract award, and other efforts requested by the contracting officers. DCAA has little control



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**I. Description of Operations Financed (cont.)**

over the number or the timing of these audits and must respond to all such requests as a priority.

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 records to ensure that cost or pricing data is accurate, current and complete. 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 Efforts.** Other audit-related activities include providing on-site assistance to procurement and contract administration offices, contract audit coordinator programs, and negotiation support. This activity includes effort 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.** 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

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**I. Description of Operations Financed (cont.)**

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.

b. Contract Audit Coordinator (CAC) Program. 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 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. 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.

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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.

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

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, 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). DCAI develops and delivers training for approximately 4,500 contract auditors and is an affiliated member of the Defense Acquisition University. DCAI directs and controls the development and delivery of classroom courses, seminars, computer-based self-study courses, and internet-based, instructor-led courses. DCAI has program management responsibility for training and career development in 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. DCAI provides training and education policy guidance, and

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**I. Description of Operations Financed (cont.)**

provides overall monitoring and evaluation of Agency training not conducted by the Institute. DCAI ensures training materials are up-to-date and develops new courses when required by the changing audit environment. Training programs provided by DCAI include audit, leadership, and supervisory management education.

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 satisfy AIS and personal computing requirements. 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 field offices in the implementation of DoD electronic commerce initiatives.

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

f. General Counsel. This category includes personnel providing legal advice regarding contracts, ethics, and personnel issues.

9. **Headquarters**. The DCAA Headquarters performs the work normally associated with the central office of a professional public organization. It develops policy and promulgates instructions and operating directives needed to perform the Agency mission. It performs

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**I. Description of Operations Financed (cont.)**

oversight reviews of regional and field office operations and audit quality, and directs and advises regional offices on resource management matters, including human capital, administration, and financial management. Headquarters personnel interface with other DoD components, other Government agencies, and Congressional committees.

**II. Force Structure Summary:**

**Not Applicable.**

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III. Financial Summary (\$ in thousands)

	FY 2015						
	FY 2014	Budget	Congressional Action			Current	FY 2016
			<u>Actual</u>	<u>Request</u>	<u>Amount</u>		
<b>A. BA Subactivities</b>							
<b>1. Audit Institute</b>	<b>7,286</b>	<b>9,312</b>	<b>0</b>	<b>0.0</b>	<b>9,312</b>	<b>9,312</b>	<b>9,443</b>
DCAA Communications	2	9	0	0.0	9	9	9
DCAA Operations	7,284	9,303	0	0.0	9,303	9,303	9,434
<b>2. Audit Operations</b>	<b>574,956</b>	<b>547,181</b>	<b>-9,100</b>	<b>-1.7</b>	<b>538,081</b>	<b>538,081</b>	<b>560,734</b>
DCAA Communications	5,800	5,346	0	0.0	5,346	5,346	6,871
DCAA Major Headquarters	28,600	31,431	0	0.0	31,431	31,934	30,531
DCAA Operations	540,556	510,404	-9,100	-1.8	501,304	500,801	523,332
<b>Total</b>	<b>582,242</b>	<b>556,493</b>	<b>-9,100</b>	<b>-1.6</b>	<b>547,393</b>	<b>547,393</b>	<b>570,177</b>

\* The FY 2014 Actual column includes \$24,851 thousand of FY 2014 Overseas Contingency Operations (OCO) Appropriations funding (PL 113-76).

\* The FY 2015 Enacted column excludes \$22,847 thousand of FY 2015 OCO Appropriations funding (PL 113-235).

\* The FY 2016 Estimate column excludes \$18,474 thousand of FY 2016 OCO Budget request.

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III. Financial Summary (\$ in thousands)

<b>B. <u>Reconciliation Summary</u></b>	<b>Change FY 2015/FY 2015</b>	<b>Change FY 2015/FY 2016</b>
<b>Baseline Funding</b>	<b>556,493</b>	<b>547,393</b>
Congressional Adjustments (Distributed)	-8,400	
Congressional Adjustments (Undistributed)	-514	
Adjustments to Meet Congressional Intent		
Congressional Adjustments (General Provisions)	-186	
<b>Subtotal Appropriated Amount</b>	<b>547,393</b>	
Fact-of-Life Changes (2015 to 2015 Only)		
<b>Subtotal Baseline Funding</b>	<b>547,393</b>	
Supplemental	22,847	
Reprogrammings		
Price Changes		7,172
Functional Transfers		
Program Changes		15,612
<b>Current Estimate</b>	<b>570,240</b>	<b>570,177</b>
Less: Wartime Supplemental	-22,847	
<b>Normalized Current Estimate</b>	<b>547,393</b>	

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**III. Financial Summary (\$ in thousands)**

	<b>Amount</b>	<b>Totals</b>
<b>C. Reconciliation of Increases and Decreases</b>		
<b>FY 2015 President's Budget Request (Amended, if applicable)</b>		<b>556,493</b>
1. Congressional Adjustments		-9,100
a. Distributed Adjustments		
1) Overestimation of civilian FTE targets	-8,400	
b. Undistributed Adjustments		
1) Reduction to Non-NIP Non-Cyber IT Programs	-514	
c. Adjustments to Meet Congressional Intent		
d. General Provisions		
1) Section 8035 - Indian Lands	-186	
<b>FY 2015 Appropriated Amount</b>		<b>547,393</b>
2. War-Related and Disaster Supplemental Appropriations		22,847
a. OCO Supplemental Funding		
1) FY 2015 Defense-Wide Overseas Contingency Operations	22,847	
3. Fact-of-Life Changes		
<b>FY 2015 Baseline Funding</b>		<b>570,240</b>
4. Reprogrammings (Requiring 1415 Actions)		
<b>Revised FY 2015 Estimate</b>		<b>570,240</b>
5. Less: Item 2, War-Related and Disaster Supplemental Appropriations and Item 4, Reprogrammings		-22,847
<b>FY 2015 Normalized Current Estimate</b>		<b>547,393</b>
6. Price Change		7,172
7. Functional Transfers		
8. Program Increases		18,405
a. Annualization of New FY 2015 Program		
b. One-Time FY 2016 Increases		
1) One more pay day	1,730	
Additional FY 2016 pay day. (FY 2015 Baseline: \$463,664 thousand; +0 FTEs)		
c. Program Growth in FY 2016		
1) Personnel Compensation	9,138	



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**III. Financial Summary (\$ in thousands)**

<b>C. Reconciliation of Increases and Decreases</b>	<b>Amount</b>	<b>Totals</b>
Increase in personnel compensation is commensurate with an increase of 96 entry level auditor FTEs. This includes an increase of 88 FTEs and conversion of 8 FTEs from reimbursable to direct funded. (FY 2015 Baseline: \$463,664 thousand; +96 FTEs)		
2) Rental Payments to GSA DCAI was unable to extend the lease with the University of Memphis and was forced to relocate to GSA owned facilities. (FY 2015 Baseline: \$11,242 thousand; +0 FTEs)	2,641	
3) Equipment Maintenance by Contract Increase primarily due to cost associated with the Secured Contract Audit Network (SCAN) migration to the Network Management Information System (NMIS), the Defense Agencies Initiative (DAI) implementation and the Voice Over Internet Protocol (VOIP) initiative. (FY 2015 Baseline: \$6,012 thousand; +0 FTEs)	2,366	
4) Purchased Communications Increased costs due to circuit speed upgrades to the wireless and long haul communications. (FY 2015 Baseline: \$5,355 thousand; +0 FTEs)	1,434	
5) Travel of Persons Supports mission and training travel for increased audit staff. (FY 2015 Baseline: \$14,585 thousand; +0 FTEs)	657	
6) Permanent Change of Station Increase PCS travel associated with increase in FTEs. (FY 2015 Baseline: \$2,474 thousand; +0 FTEs)	149	
7) Equipment Purchases Increase in equipment purchases associated with	104	

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<b>C. Reconciliation of Increases and Decreases</b>	<b>Amount</b>	<b>Totals</b>
increased auditor FTEs. (FY 2015 Baseline: \$5,617 thousand; +0 FTEs)		
8) Supplies & Materials Increase in supplies and materials associated with increased auditor FTEs. (FY 2015 Baseline: \$4,159 thousand; +0 FTEs)	97	
9) Other Services Increases for training costs associated with additional auditor FTEs. (FY 2015 Baseline: \$2,440 thousand; +0 FTEs)	73	
10) Purchased Utilities Regional office changed location - the new facility had increased utility requirements. (FY 2015 Baseline: \$57 thousand; +0 FTEs)	16	
9. Program Decreases		-2,793
a. Annualization of FY 2015 Program Decreases		
b. One-Time FY 2015 Increases		
c. Program Decreases in FY 2016		
1) Facilities Contract reduction in required facilities modernization projects. (FY 2015 Baseline: \$1,802 thousand; +0 FTEs)	-970	
2) IT Contract Support Services Consolidation of network and help desk support contracts yields efficiency in IT contract costs. (FY 2015 Baseline: \$9,320 thousand; +0 FTEs)	-682	
3) Disability Compensation Reduction associated with decrease in workers compensation bill. (FY 2015 Baseline: \$2,390 thousand; +0 FTEs)	-373	

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**III. Financial Summary (\$ in thousands)**

<b>C. Reconciliation of Increases and Decreases</b>	<b>Amount</b>	<b>Totals</b>
4) Non-GSA Rent Decrease due to closing of overseas suboffice and non renewal of Corps of Engineers lease. (FY 2015 Baseline: \$2,130 thousand; +0 FTEs)	-358	
5) Other Intra-Govt Purchases Decrease in the Department of Health and Human Services (HHS) support cost due to reduced audit requirements. (FY 2015 Baseline: \$11,142 thousand; +0 FTEs)	-269	
6) DFAS Financial Operations Purchases from the DFAS Working Capital Fund (WCF) are expected to be lower. (FY 2015 Baseline: \$3,945 thousand; +0 FTEs)	-89	
7) Commercial Transport Decreased transport in support of facilities projects. (FY 2015 Baseline: \$906 thousand; +0 FTEs)	-52	
<b>FY 2016 Budget Request</b>		<b>570,177</b>

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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 contract audit services for many other federal agencies on a reimbursable basis.

**DCAA's Strategic Plan.** DCAA's current Strategic Plan was issued in November 2010. The Strategic Plan is founded on a Mission Statement, followed by a Vision Statement, Values

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

and Goals. To address key challenges and fulfill its mission, DCAA uses a strategic planning approach which aims to achieve DCAA's Vision through its pursuit of several goals to be accomplished within a 5-year timeframe. DCAA also has 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**

Defense Contract Audit Agency (DCAA), while serving the public interest as its primary customer, shall perform all necessary contract audits for the Department of Defense (DoD) and provide accounting and financial advisory services regarding contracts and subcontracts to all DoD components responsible for procurement and contract administration. These services shall be provided in connection with negotiation, administration, and settlement of contracts and subcontracts to ensure taxpayer dollars are spent on fair and reasonable contract prices. DCAA shall provide contract audit services to other Federal agencies as appropriate.

**DCAA Vision**

Dedicated professionals working together to deliver top-quality audit services to support the Department and the warfighter, and to protect the taxpayer's interest.

**DCAA Strategic Plan Goals**

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

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

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. DCAA continues to reassess its performance measures to develop measurements that more closely align with the Strategic Plan. As a result, the audit performance measures discussed below may change for FY 2015 and 2016. Detailed descriptions are provided for each of the existing measures.

<u>Notes</u>	<u>Audit Performance Measures</u>	<u>FY 2014 Actual</u>	<u>FY 2015 Objective (Est.)</u>	<u>FY 2016 Objective (Est.)</u>
	<b><u>Quality Related Measures:</u></b>			
1	Opinion on Council of Inspectors General on Integrity and Efficiency (CIGIE) Review	Pass with Deficiency	Unqualified Opinion	Unqualified Opinion
2	DCAA Internal QA Reviews	71%	Exceed FY 2014	Exceed FY 2015
3	Quantitative Methods Usage	33%	TBD	TBD
4	CPE Requirements	100%	100%	100%
	<b><u>Timeliness Measures:</u></b>			
5	Forward Pricing Audits Issued by Original Due Date	54%	Exceed FY 2014	Exceed FY 2015
6	Incurred Cost Years Completed	8,743	TBD	TBD
	<b><u>Efficiency Measure:</u></b>			
7	Cost per Direct Audit Hour	\$142.28	TBD	TBD

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

**Description of Performance Measures:**

**1. Opinion on the Council of Inspectors General on Integrity and Efficiency (CIGIE) reviews.** The Government Auditing Standards, as promulgated by the Government Accountability Office, require 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 (peer 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 use guidelines established by the CIGIE. An unqualified opinion represents full compliance with auditing standards with no reportable deficiencies. The Inspector General for the U. S. Department of Defense issued DCAA Peer Review: System Review Report on August 21, 2014. The report concluded that DCAA's system of quality control in effect as of June 30, 2013, has been in compliance and suitably designed to provide DCAA with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. DCAA received a peer review rating of *pass with deficiency*.

**2. DCAA Internal Quality Assurance (QA) Results.** The DCAA uses this measure to validate the quality of audits completed. DCAA's Quality Assurance organization performs these reviews and evaluates whether they are performed in accordance with Generally Accepted Government Auditing Standards (GAGAS). Our goal is to increase the percentage of audits passing the QA Review each year.



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

**3. Quantitative Methods Usage.** The DCAA uses this measure to monitor the extent auditors use advanced-level audit techniques such as statistical sampling, improvement curves, and regression analysis. We set the goal at a level to encourage use when applicable, but not so high as to promote inappropriate use of quantitative techniques. We have not yet established the FY 2016 goals for this measure but expect they will be at or above the level of the previous year.

**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. At least 20 hours must be completed in each year of the two-year period. 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 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 DCAA. 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 improve each year.

**6. Incurred cost years completed.** 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. We have not established the FY 2016 goals.

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

**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 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 2016 goals have not yet been established.

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<b><u>V. Personnel Summary</u></b>	<b><u>FY 2014</u></b>	<b><u>FY 2015</u></b>	<b><u>FY 2016</u></b>	<b>Change FY 2014/ FY 2015</b>	<b>Change FY 2015/ FY 2016</b>
<u>Civilian End Strength (Total)</u>	4,953	4,612	4,694	-341	82
U.S. Direct Hire	4,952	4,612	4,694	-340	82
Foreign National Direct Hire	1	0	0	-1	0
Total Direct Hire	4,953	4,612	4,694	-341	82
Memo: Reimbursable Civilians Included	456	463	455	7	-8
<u>Civilian FTEs (Total)</u>	4,691	4,585	4,673	-106	88
U.S. Direct Hire	4,690	4,585	4,673	-105	88
Foreign National Direct Hire	1	0	0	-1	0
Total Direct Hire	4,691	4,585	4,673	-106	88
Memo: Reimbursable Civilians Included	456	463	455	7	-8
Average Annual Civilian Salary (\$ in thousands)	115.5	113.7	114.9	-1.8	1.2
 <u>Contractor FTEs (Total)</u>	 58	 51	 54	 -7	 3
 <b>Defense Acquisition Workforce Development Fund (DAWDF) and Overseas Contingency Operations (OCO) Personnel Summary</b>	 <b><u>FY 2014</u></b>	 <b><u>FY 2015</u></b>	 <b><u>FY 2016</u></b>	 <b>Change FY 2014/ FY 2015</b>	 <b>Change FY 2015/ FY 2016</b>
DAWDF End Strength (Total)	155	150	77	-5	-73
DAWDF FTEs (Total)	115	150	111	35	-39
OCO FTEs (Total)	183	148	145	-35	-3

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

<u>OP 32 Line</u>	<u>FY 2014</u> <u>Actual</u>	<u>Change</u> <u>FY 2014/FY 2015</u>		<u>FY 2015</u> <u>Enacted</u>	<u>Change</u> <u>FY 2015/FY 2016</u>		<u>FY 2016</u> <u>Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
101 Exec, Gen'l & Spec Scheds	484,126	4,841	-25,351	463,616	5,679	10,869	480,164
103 Wage Board	49	0	-1	48	1	-1	48
104 FN Direct Hire (FNDH)	92	1	-93	0	0	0	0
106 Benefit to Fmr Employees	14	0	-14	0	0	0	0
111 Disability Compensation	1,861	0	529	2,390	0	-373	2,017
121 PCS Benefits	2,847	0	-373	2,474	0	149	2,623
<b>199 Total Civ Compensation</b>	<b>488,989</b>	<b>4,842</b>	<b>-25,303</b>	<b>468,528</b>	<b>5,680</b>	<b>10,644</b>	<b>484,852</b>
308 Travel of Persons	14,567	262	-244	14,585	248	657	15,490
<b>399 Total Travel</b>	<b>14,567</b>	<b>262</b>	<b>-244</b>	<b>14,585</b>	<b>248</b>	<b>657</b>	<b>15,490</b>
696 DFAS Financial Operation (Other Defense Agencies)	4,114	72	-241	3,945	221	-89	4,077
<b>699 Total DWCF Purchases</b>	<b>4,114</b>	<b>72</b>	<b>-241</b>	<b>3,945</b>	<b>221</b>	<b>-89</b>	<b>4,077</b>
771 Commercial Transport	3,361	60	-2,515	906	15	-52	869
<b>799 Total Transportation</b>	<b>3,361</b>	<b>60</b>	<b>-2,515</b>	<b>906</b>	<b>15</b>	<b>-52</b>	<b>869</b>
912 Rental Payments to GSA (SLUC)	15,006	270	-4,034	11,242	191	2,641	14,074
913 Purchased Utilities (Non-Fund)	66	1	-10	57	1	16	74
914 Purchased Communications (Non-Fund)	5,802	104	-551	5,355	91	1,434	6,880
915 Rents (Non-GSA)	1,446	26	658	2,130	36	-358	1,808
917 Postal Services (U.S.P.S)	0	0	22	22	0	0	22
920 Supplies & Materials (Non-Fund)	2,971	53	1,135	4,159	71	97	4,327
921 Printing & Reproduction	42	1	83	126	2	0	128
922 Equipment Maintenance By Contract	4,653	84	1,275	6,012	102	2,366	8,480
923 Facilities Sust, Rest, & Mod by Contract	2,028	37	-263	1,802	31	-970	863
925 Equipment Purchases (Non-Fund)	18,155	327	-12,865	5,617	95	104	5,816
960 Other Costs (Interest and Dividends)	1	0	4	5	0	0	5
987 Other Intra-Govt Purch	11,447	206	-511	11,142	189	-269	11,062
989 Other Services	1,537	28	875	2,440	41	73	2,554

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<u>OP 32 Line</u>	FY 2014	Change		FY 2015	Change		FY 2016
	<u>Actual</u>	<u>FY 2014/FY 2015</u>		<u>Enacted</u>	<u>FY 2015/FY 2016</u>		<u>Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
990 IT Contract Support Services	8,057	145	1,118	9,320	158	-682	8,796
<b>999 Total Other Purchases</b>	<b>71,211</b>	<b>1,282</b>	<b>-13,064</b>	<b>59,429</b>	<b>1,008</b>	<b>4,452</b>	<b>64,889</b>
<b>Total</b>	<b>582,242</b>	<b>6,518</b>	<b>-41,367</b>	<b>547,393</b>	<b>7,172</b>	<b>15,612</b>	<b>570,177</b>

\* The FY 2014 Actual column includes \$24,851 thousand of FY 2014 Overseas Contingency Operations (OCO) Appropriations funding (PL 113-76).

\* The FY 2015 Enacted column excludes \$22,847 thousand of FY 2015 OCO Appropriations funding (PL 113-235).

\* The FY 2016 Estimate column excludes \$18,474 thousand of FY 2016 OCO Budget request.