

**Defense Contract Audit Agency
Overseas Contingency Operations
Operation and Maintenance, Defense-Wide
Budget Activity 04: 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 Operation FREEDOM'S SENTINEL (OFS) and Operation INHERENT RESOLVE (OIR), as well as reconstruction in Iraq and Afghanistan.

The DCAA FY 2020 Overseas Contingency Operations (OCO) request includes \$1,810 thousand for OCO for Enduring Requirements; no funds are requested for OCO for Direct War Costs or OCO for Base Requirements.

The DCAA assists in achieving fair and reasonable contract prices and assuring compliance with contractual terms and conditions by: responding to requests from acquisition officials for specific services across the entire spectrum of contract financial and business matters; and fulfilling the recurring audit work required to monitor cost performance and approve contract payments. The 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. The DCAA's workload is also impacted by 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.

There are few audit matters within DCAA more sensitive and significant than the support provided to the OFS/OIR-related contracts. The DCAA has established priorities to ensure audit support in Iraq, Kuwait, Afghanistan, and Qatar and related field offices is timely, comprehensively accomplished and promptly reported to its customers. The DCAA audits of cost-reimbursable contracts represent a continuous effort from evaluation of proposed prices to final closeout and payment. The DCAA performs initial audits of contractor business system internal controls and testing of contract costs to provide a

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I. Description of Operations Financed (cont.)

basis for provisional approval of contractor interim payments and early detection of deficiencies. The 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 OFS/OIR military operations and reconstruction in Iraq and Afghanistan will be subject to the same performance measurement as other DCAA audit activities.

II. Force Structure Summary:

N/A

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III. Financial Summary (\$ in thousands)

A. BA Subactivities	FY 2019						
	FY 2018 Actuals	Budget Request	Congressional Action			Current Enacted	FY 2020 Estimate
			Amount	Percent	Appropriated		
OFS	4,790	1,343	0	0.0	1,343	1,343	1,365
1.0 - Personnel Compensation	4,688	1,189	0	0.0	1,189	1,189	1,212
2.0 - Personnel Support	44	108	0	0.0	108	108	110
3.0 - Operating Support	58	46	0	0.0	46	46	43
OIR	1,563	438	0	0.0	438	438	445
1.0 - Personnel Compensation	1,530	388	0	0.0	388	388	395
2.0 - Personnel Support	14	35	0	0.0	35	35	36
3.0 - Operating Support	19	15	0	0.0	15	15	14
Total	6,353	1,781	0	0.0	1,781	1,781	1,810

<u>Summary by Operation</u>	FY 2018 Actuals	FY 2019 Enacted	FY 2020 Estimate
Operation FREEDOM'S SENTINEL (OFS)	\$4,790	\$1,343	\$1,365
Operation INHERENT RESOLVE (OIR)	\$1,563	\$438	\$445
Operation Totals	\$6,353	\$1,781	\$1,810

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III. Financial Summary (\$ in thousands)

B. <u>Reconciliation Summary</u>	Change	Change
	<u>FY 2019/FY 2019</u>	<u>FY 2019/FY 2020</u>
OCO Funding	1,781	1,781
Congressional Adjustments (Distributed)		
Congressional Adjustments (Undistributed)		
Adjustments to Meet Congressional Intent		
Congressional Adjustments (General Provisions)		
Carryover		
Subtotal Appropriated Amount	1,781	
Fact-of-Life Changes (2019 to 2019 Only)		
Subtotal OCO Funding	1,781	
Baseline Appropriation	1,781	
Reprogrammings		
Price Changes		4
Functional Transfers		
Program Changes		25
Current Estimate	3,562	1,810
Less: Baseline Appropriation	-1,781	
Normalized Current Estimate	1,781	

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III. Financial Summary (\$ in thousands)

<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Total</u>
FY 2019 President's Budget Request (Amended, if applicable)		1,781
1. Congressional Adjustments		
a. Distributed Adjustments		
b. Undistributed Adjustments		
c. Adjustments to Meet Congressional Intent		
d. General Provisions		
e. Carryover		
FY 2019 Appropriated Amount		1,781
2. Baseline Appropriation		1,781
a. Baseline Appropriation		
1) FY 2019 Defense-Wide Overseas Contingency Operations	1,781	
3. Fact-of-Life Changes		
FY 2019 OCO Funding		3,562
4. Reprogrammings (Requiring 1415 Actions)		
Revised FY 2019 Estimate		3,562
5. Less: Baseline Appropriation		-1,781
FY 2019 Normalized Current Estimate		1,781
6. Price Change		4
7. Functional Transfers		
8. Program Increases		30
a. Annualization of New FY 2019 Program		
b. One-Time FY 2020 Increases		
c. Program Growth in FY 2020		
1) 1.0 - Personnel Compensation OFS	23	
Funds are required for incremental premium pay costs for personnel performing contract audit work in CONUS. Audit work will continue focusing on incurred cost audits and contract close-out. The premium pay funding is needed to perform these		

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III. Financial Summary (\$ in thousands)

C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Total</u>
<p>important audits in a timely manner. Changes between years FY 2019 and FY 2020 are minimal increases in FTE costs needed to ensure audit support of contracts. Audit effort has shifted focus to auditing costs incurred by contractors during contract performance and completing the audits required to close contracts. (FY 2019 Baseline: \$1,189 thousand)</p>		
<p>2) 1.0 - Personnel Compensation OIR</p> <p>Funds are required for incremental premium pay costs for personnel performing contract audit work in CONUS. Audit work will continue focusing on incurred cost audits and contract close-out. The premium pay funding is needed to perform these important audits in a timely manner. Changes between years FY 2019 and FY 2020 are minimal increases in FTE costs needed to ensure audit support of contracts. Audit effort has shifted focus to auditing costs incurred by contractors during contract performance and completing the audits required to close contracts. (FY 2019 Baseline: \$388 thousand)</p>	7	
<p>9. Program Decreases</p>		-5
<p>a. Annualization of FY 2019 Program Decreases</p>		
<p>b. One-Time FY 2019 Increases</p>		
<p>c. Program Decreases in FY 2020</p>		
<p>1) 3.0 - Operating Support OFS</p> <p>The DCAA has an agreement with the Department of State for support services that include security,</p>	-4	

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III. Financial Summary (\$ in thousands)

C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Total</u>
<p>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 Afghanistan and to the general well-being of the personnel assigned there. As DCAA continues to close-out contracts in the area, DCAA anticipates fewer support services will be required. (FY 2019 Baseline: \$45 thousand)</p>		
<p>2) 3.0 - Operating Support OIR</p> <p>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 to the general well-being of the personnel assigned there. As DCAA continues to close-out contracts in the area, DCAA anticipates less support services will be required. (FY 2019 Baseline: \$15 thousand)</p>	-1	
FY 2020 Budget Request		1,810

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IV. Performance Criteria:

N/A

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<u>V. Personnel Summary</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>Change FY 2018/ FY 2019</u>	<u>Change FY 2019/ FY 2020</u>
<u>Civilian End Strength (Total)</u>	<u>40</u>	<u>0</u>	<u>0</u>	<u>-40</u>	<u>0</u>
U.S. Direct Hire	40	0	0	-40	0
Total Direct Hire	40	0	0	-40	0
<u>Civilian FTEs (Total)</u>	<u>40</u>	<u>0</u>	<u>0</u>	<u>-40</u>	<u>0</u>
U.S. Direct Hire	40	0	0	-40	0
Total Direct Hire	40	0	0	-40	0
Average Annual Civilian Salary (\$ in thousands)	155.5	0	0	-155.5	0

Personnel Summary Explanations:

Significant change between FY 2018 and FY 2019 is the result of reducing FTEs and limiting requirements to premium pay and travel costs needed to ensure audit support of contracts. The DCAA performs audits throughout the life of the contract. The work that will be accomplished includes direct cost testing, and accounting and billing system oversight at high risk OCO contractors with on-going contracts. In addition, the DCAA is performing termination audits and incurred cost audits, primarily in CONUS, to allow contracting officers to close completed contracts.

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

<u>OP 32 Line</u>	<u>FY 2018</u>	<u>Change</u>		<u>FY 2019</u>	<u>Change</u>		<u>FY 2020</u>
		<u>FY 2018/FY 2019</u>			<u>FY 2019/FY 2020</u>		
	<u>Actuals</u>	<u>Price</u>	<u>Program</u>	<u>Enacted</u>	<u>Price</u>	<u>Program</u>	<u>Estimate</u>
101 Exec, Gen'l & Spec Scheds	6,218	32	-4,673	1,577	0	30	1,607
199 Total Civ Compensation	6,218	32	-4,673	1,577	0	30	1,607
308 Travel of Persons	58	1	84	143	3	0	146
399 Total Travel	58	1	84	143	3	0	146
914 Purchased Communications (Non-Fund)	4	0	-3	1	0	0	1
920 Supplies & Materials (Non- Fund)	0	0	5	5	0	0	5
987 Other Intra-Govt Purch	73	1	-19	55	1	-5	51
999 Total Other Purchases	77	1	-17	61	1	-5	57
Total	6,353	34	-4,606	1,781	4	25	1,810