

# Fiscal Year (FY) 2021 Budget Estimates

## Operation and Maintenance, Defense-Wide Defense Contract Audit Agency



February 2020

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

	FY 2019	Price	Program	FY 2020	Price	Program	FY 2021
	<u>Actuals</u>	<u>Change</u>	<u>Change</u>	<u>Enacted</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
DCAA	616,893	16,281	-5,728	627,446	11,398	-30,727	608,117

\* The FY 2019 Actual column includes \$1,295.0 thousand of FY 2019 OCO Appropriations Funding (P.L. 115-245).

\* The FY 2020 Enacted column excludes \$1,810.0 thousand of FY 2020 OCO Appropriations Funding (P.L. 116-93).

\* The FY 2021 Estimate column excludes \$1,247.0 thousand of FY 2021 OCO Appropriations Funding.

\* The FY 2019 OCO Actual from the footnote above does not match the data in the OSD budget database due to a disconnect discovered after budget database had locked; the footnote reflects the correct FY 2019 Actual OCO Appropriation Funding.

**I. Description of Operations Financed:** ([www.dcaa.mil](http://www.dcaa.mil)) The Defense Contract Audit Agency (DCAA) provides audit and financial advisory services to the Department of Defense (DoD) and other federal entities responsible for acquisition and contract administration. The DCAA's role in the financial oversight of government contracts is critical to ensure DoD gets the best value for every dollar spent on defense contracting. The DCAA operates under the authority, direction, and control of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, and its work benefits the men and women in uniform and the American taxpayer.

The Agency's primary function is to conduct contract audits and related financial advisory services. Contract audits are independent, professional examinations of financial representations made by defense contractors. Specifically, DCAA helps determine whether contract costs are allowable, allocable, and reasonable. The DCAA conducts audits in accordance with Generally Accepted Government Auditing Standards (GAGAS), a set of standards that ensures audit conclusions are well supported by evidence. The type and extent of DCAA's audit work varies based on the type of contract awarded, but its audit services are generally limited to acquisitions under Federal

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

Acquisition Regulation (FAR), Part 15 (Contracting by Negotiation). The DCAA audits only contractors; it has no internal audit responsibilities within DoD. The DCAA auditors examine contractor accounts, records, and business systems to evaluate whether contractor business practices and procedures are in compliance with the FAR, the Defense Federal Acquisition Regulation Supplement (DFARS), Cost Accounting Standards (CAS), and other applicable government laws and regulations. The DCAA has no direct role in determining which companies are awarded defense contracts; rather, it provides recommendations to government officials on contractor cost assertions regarding specific products and services. With these recommendations, contracting officers are better able to negotiate prices and settle contracts for major weapons systems, services, and supplies. The DCAA currently has oversight of approximately 9,000 active contractors. In a typical year, DCAA engages in examinations with around 4,500 contractors, examining over \$350 billion in contract costs, and issuing about 3,500 audit reports.

In FY 2021, DCAA will execute its entire portfolio of audit work including incurred cost, forward pricing, terminations and claims, business systems, CAS, Voucher Payments, and Truth in Negotiation (TiN) compliance audits. Focusing on the entire portfolio of audit work enables DCAA to fulfill its role in the financial oversight of government contracts and is critical to ensuring DoD gets the best value for every dollar spent on defense contracting. The DCAA will continue efforts to review incurred cost proposals within 12 months of the receipt of an adequate submission in order 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).

The DCAA's FY 2019 Financial Statements received an unmodified opinion from independent public auditors. The DCAA has maintained an unmodified audit opinion since FY 2000.

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

The DCAA continues to return savings to the Government that far exceed the cost of its operations. In

FY 2019, the Agency audited approximately \$240 billion of costs incurred on contracts and issued about 710 forward pricing proposal audit reports covering over \$118 billion in proposed contract costs. The DCAA also recognized \$3.7 billion in net savings as a result of reported audit findings. The return on taxpayers' investment is approximately \$5.50 for every dollar invested in the Agency (\$668 million in FY 2019, including reimbursable funding).

The DCAA's workload and associated 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 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 goods and services. The DCAA furnishes pre-award services to contracting officers including:

a. Price Proposal Audits. These examinations 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

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

number or timing of price proposal audits and must respond to each audit request as a top priority.

b. Forward Pricing Rate Proposal Audits. These examinations 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. 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 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. These audits must be accomplished for the Government to close contracts and make final payment to the contractor. This effort includes examinations of direct labor and material costs and indirect expenses, and provides insight on the function 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 helpful in evaluating contractors' price proposals.

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

As required by the FY 2018 National Defense Authorization Act, in FY 2021, DCAA will complete incurred costs audits within 12 months of receiving an adequate submission in order 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).

**3. Special Audits.** The contracting officer normally requests audits that include examinations of termination claims, progress payment requests, and equitable adjustment claims that must be accomplished within a short period to avoid adverse effects such as additional claims for interest on amounts due. Special audits also include accounting system audits DCAA performs for procurement contracting offices prior to contract award or during contract performance, and other efforts requested by the contracting officers. The DCAA has little control over the number or timing of these audits and must respond to all such requests as a priority.

**4. Other Audits.** Other audits primarily consist of audits performed after contract award and can be requested by a contracting officer or initiated by DCAA. DCAA typically initiates these type of audits when there is potential for a high risk for misallocation or mischarging of costs; they include the following:

a. Truth in Negotiations Audits. Truth in Negotiations (TiN) (10 USC §2306a) requires contracting officers to obtain certified cost or pricing data from contractors before awarding a contract unless an exception applies. Under TiN, the Government has the right to examine records to ensure that certified cost or pricing data is accurate, current and complete. The DCAA is responsible for performing these audits,

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

which assist in determining whether a contract or subcontract price was unduly increased because the contractor failed to furnish accurate, complete, or current certified cost or pricing information in negotiating a contract.

b. Business System Audits. These evaluate contractor systems to assess if the systems comply with DFARS business systems requirements, and generate accurate and reliable data for contracting officers to use in determining fair and reasonable prices. DCAA performs audits of contractors' accounting system, material management and accounting (MMAS) system, and estimating system.

c. 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. The CAS related audit effort includes assessing adequacy and compliance of the CAS Disclosure Statement, compliance with the CAS, and assessment of contractor Cost Impact Statements for noncompliances.

**5. Other Direct Audit Efforts.** Other audit-related activities include providing on-site assistance to procurement and contract administration offices, corporate audit directorate programs, and negotiation support. This activity includes efforts 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. The DCAA maintains financial liaison advisors, as appropriate, at major procurement and contract administration offices. Their primary functions are to: facilitate effective communication and coordination between procurement officers and auditors; provide DCAA management with information regarding specific awards, trends in



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

type and volume of awards, and other data impacting immediate or long range DCAA responsibilities; and provide DCAA management with information on the adequacy, responsiveness and timeliness of audit services rendered to procurement and contract administration offices.

b. Corporate Audit Directorate. The DCAA extended the success of its Contract Audit Coordinator (CAC) program into a Corporate Audit Directorate (CAD) structure and now has seven of the largest contractors organized into four CADs whose accounting functions, operations, and contract performance occur at multiple locations under the audit cognizance of multiple DCAA field offices, but are now under one DCAA management hierarchy. The CAD structure enables effective communications and audit coordination at these contractor locations allowing information to be effectively disseminated, problem areas to be monitored to ensure uniform resolution; it also enables coordination 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 high quality contract audit services to ensure the Government is paying fair prices. Audit results often 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. The DCAA develops information and comments on reports from the GAO, DoD-IG, and other government Inspector General offices. This activity also

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

includes efforts related to discussions and conferences, and any interface involving any other government audit organizations.

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. 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. 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.

**6. Field Support.** This includes support personnel assigned to four regional offices, four CADs, the Defense Contract Audit Institute, the Office of Information Technology, and Technical Audit Services Division.

a. Regional Offices and CADs. These offices provide technical audit management and supervision to field office personnel.

b. Defense Contract Audit Institute (DCAI). The DCAI develops and delivers training for approximately 4,325+ contract auditors and is an affiliated member of the Defense Acquisition University; directs and controls the development and delivery of classroom courses, seminars, computer-based self-study courses, and internet-based, instructor-led courses; has program management responsibility for DCAA training and career development

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

including ensuring the workforce obtains DoD Acquisition and Financial Management certification requirements; assures that programs of instruction, courses, and training materials meet DoD, GAGAS, and National Association of State Boards of Accountancy (NASBA) standards; provides training and education policy guidance, monitoring and evaluation of Agency training not conducted by the Institute; ensures training materials are up-to-date; and develops new courses when required by the changing audit environment. Programs provided by DCAI include audit, leadership, and supervisory training.

c. Office of Information Technology (OIT). The 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, managing DCAA's information assurance program, and establishing and implementing policy and standards for information technology (IT) systems and services.

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

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

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

7. **Headquarters.** The DCAA Headquarters performs the work normally associated with the central office of a professional public organization, develops policy and promulgates instructions and operating directives needed to perform the Agency mission, performs oversight reviews of regional and field office operations and audit quality, provides Regions and CADs with resource management services including human capital, administration, and financial management, and includes the General Counsel which provides legal advice regarding contracts, ethics, and personnel issues. 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 2020						
	FY 2019 <u>Actuals</u>	Budget <u>Request</u>	<u>Congressional Action</u>			Current <u>Enacted</u>	FY 2021 <u>Estimate</u>
			<u>Amount</u>	<u>Percent</u>	<u>Appropriated</u>		
<b>A. BA Subactivities</b>							
<b>1. Audit Operations</b>	<b>616,893</b>	<b>627,467</b>	<b>-3,383</b>	<b>-0.5</b>	<b>624,084</b>	<b>624,084</b>	<b>604,835</b>
DCAA Communications	9,413	5,426	-1	0.0	5,425	5,425	9,521
DCAA Major Headquarters	36,851	40,613	1,131	2.8	41,744	41,744	41,433
DCAA Operations	570,629	581,428	-4,513	-0.8	576,915	576,915	553,881
<b>2. Cyberspace Activities</b>	<b>0</b>	<b>3,362</b>	<b>0</b>	<b>0.0</b>	<b>3,362</b>	<b>3,362</b>	<b>3,282</b>
DCAA Cyberspace	0	3,362	0	0.0	3,362	3,362	3,282
<b>Total</b>	<b>616,893</b>	<b>630,829</b>	<b>-3,383</b>	<b>-0.5</b>	<b>627,446</b>	<b>627,446</b>	<b>608,117</b>

\* The FY 2019 Actual column includes \$1,295.0 thousand of FY 2019 OCO Appropriations Funding (P.L. 115-245).

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III. Financial Summary (\$ in thousands)

<u>B. Reconciliation Summary</u>	<u>Change</u> <u>FY 2020/FY 2020</u>	<u>Change</u> <u>FY 2020/FY 2021</u>
<b>Baseline Funding</b>	<b>630,829</b>	<b>627,446</b>
Congressional Adjustments (Distributed)	-325	
Congressional Adjustments (Undistributed)	-3,058	
Adjustments to Meet Congressional Intent		
Congressional Adjustments (General Provisions)		
<b>Subtotal Appropriated Amount</b>	<b>627,446</b>	
Fact-of-Life Changes (2020 to 2020 Only)		
<b>Subtotal Baseline Funding</b>	<b>627,446</b>	
Supplemental	1,810	
Reprogrammings		
Price Changes		11,398
Functional Transfers		-2,700
Program Changes		-28,027
<b>Current Estimate</b>	<b>629,256</b>	<b>608,117</b>
Less: Wartime Supplemental	-1,810	
<b>Normalized Current Estimate</b>	<b>627,446</b>	

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

<b><u>C. Reconciliation of Increases and Decreases</u></b>	<b><u>Amount</u></b>	<b><u>Totals</u></b>
<b>FY 2020 President's Budget Request (Amended, if applicable)</b>		<b>630,829</b>
1. Congressional Adjustments		-3,383
a. Distributed Adjustments		
1) Excess FTEs	-300	
2) Unjustified Growth	-25	
b. Undistributed Adjustments		
1) Unjustified Growth	-2,330	
2) Budget Justification Inconsistencies	-728	
c. Adjustments to Meet Congressional Intent		
d. General Provisions		
<b>FY 2020 Appropriated Amount</b>		<b>627,446</b>
2. War-Related and Disaster Supplemental Appropriations		1,810
a. OCO Supplemental Funding		
1) FY20 Defense-Wide Overseas Contingency Operations	1,810	
3. Fact-of-Life Changes		
<b>FY 2020 Baseline Funding</b>		<b>629,256</b>
4. Reprogrammings (Requiring 1415 Actions)		
<b>Revised FY 2020 Estimate</b>		<b>629,256</b>
5. Less: Item 2, War-Related and Disaster Supplemental Appropriations and Item 4, Reprogrammings		-1,810
<b>FY 2020 Normalized Current Estimate</b>		<b>627,446</b>
6. Price Change		11,398
7. Functional Transfers		-2,700
a. Transfers In		
b. Transfers Out		
1) Iran Claims Litigation Funding	-2,700	
The decrease is due to transfer of responsibility from DCAA to DISA for the annual contribution to the Department of State for costs relating to litigation		

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

<b>C. <u>Reconciliation of Increases and Decreases</u></b>	<b><u>Amount</u></b>	<b><u>Totals</u></b>
of Iran's legal claims. (FY 2020 Baseline: \$2,700 thousand; Baseline FTEs: 0)		
8. Program Increases		34,768
a. Annualization of New FY 2020 Program		
b. One-Time FY 2021 Increases		
c. Program Growth in FY 2021		
1) Personnel Compensation	25,126	
The increase is due to growth in the average salary as a result of FTE reductions, the impact of the 2019 and 2020 pay raises, and the mandated increase of agency contributions to the FERS retirement fund. (FY 2020 Baseline: \$512,254 thousand; Baseline FTEs: 4,149)		
2) Purchased Communications	3,986	
The increase reflects the cost to fully fund the DISA communications bill. (FY 2020 Baseline: \$5,426 thousand; Baseline FTEs: 0)		
3) IT Contract Support Services	1,919	
The increase is the result of properly aligning costs within the new accounting system structure; these costs were previously captured under Line 922, Equipment Maintenance. (FY 2020 Baseline: \$9,763 thousand; Baseline FTEs: 0)		
4) Disability Compensation	1,769	
The increase reflects forecasted costs based on historical execution. The Federal Employees' Compensation Act (FECA) program is financed by the Employees' Compensation Fund, which consists of monies paid into it by Federal agencies receiving		



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

<b>C. <u>Reconciliation of Increases and Decreases</u></b>	<b><u>Amount</u></b>	<b><u>Totals</u></b>
appropriations from Congress. (FY 2020 Baseline: \$1,402 thousand; Baseline FTEs: 0)		
5) Management Professional Support Services The increase is the result of properly aligning costs within the new accounting system structure; these costs were previously captured under Line 989, Other Services. (FY 2020 Baseline: \$0 thousand; Baseline FTEs: 0)	1,094	
6) PCS Benefits The increase reflects forecasted PCS costs for auditor moves based on historical execution for the budgeted FTEs and planned personnel moves. (FY 2020 Baseline: \$822 thousand; Baseline FTEs: 0)	624	
7) Postal Service The increase is the result of properly aligning costs within the new accounting system structure; these costs were previously captured under Line 771, Commercial Transport. (FY 2020 Baseline: \$0 thousand; Baseline FTEs: 0)	190	
8) Purchased Utilities The increase is the result of properly aligning costs within the new accounting system structure; these costs were previously capture under Line 987, Other Intra-Governmental Services. (FY 2020 Baseline: \$118 thousand; Baseline FTEs: 0)	60	
9. Program Decreases		-62,795
a. Annualization of FY 2020 Program Decreases		
b. One-Time FY 2020 Increases		
1) One less compensable day	-1,509	

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<b>C. <u>Reconciliation of Increases and Decreases</u></b>	<b><u>Amount</u></b>	<b><u>Totals</u></b>
c. Program Decreases in FY 2021		
1) Defense Wide Review (DWR)	-32,490	
- Reduce Interim Advisory Services and Post Payment Voucher Audits: Personnel Compensation(-\$26,502 thousand). There is a reduction in FTEs for auditors performing low risk Interim Voucher Advisory Services and Post Payment Voucher audits. The DCAA will continue to focus efforts on high risk audits with high return on investment to the taxpayer and warfighter.		
- Reduce Interim Advisory Services and Post Payment Voucher Audits. Travel(-\$2,728 thousand): The decrease is for support costs associated with the reduction in FTEs, planned conferences, and other non-mission critical travel.		
- Reduce Interim Advisory Services and Post Payment Voucher Audits. Supplies and Materials (-\$400 thousand): The decrease is related to the reduction in FTEs and efficiencies in managing supplies and materials.		
- Consolidate and Reduce Agency Infrastructure: GSA Rent (-\$1,500 thousand). The decrease is related to office consolidation and leased space reductions.		
- Fourth Estate Network Optimization: Other Intra-Govt Purchases (-\$1,360 thousand). The decrease is due to realignment within the Defense Agencies in		

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

<b>C. <u>Reconciliation of Increases and Decreases</u></b>	<b><u>Amount</u></b>	<b><u>Totals</u></b>
support of the Fourth Estate Network IT Optimization reform initiative. (-349 FTEs)		
2) Other Services	-17,969	
The decrease is to realign funding to Line 101, Exec, Gen'l & Spec Schedules, due to the 2019 and 2020 pay raises not previously funded. (FY 2020 Baseline: \$37,612 thousand; Baseline FTEs: 0)		
3) Equipment Maintenance By Contract	-5,131	
The decrease is the result of properly aligning costs to Line 990, IT Contract Support Services, within the new accounting system structure. (FY 2020 Baseline: \$10,172 thousand; Baseline FTEs: 0)		
4) Equipment Purchases	-2,843	
The decrease is due to an accelerated technology refresh in FY 2019. (FY 2020 Baseline: \$3,167 thousand; Baseline FTEs: 0)		
5) Travel	-1,570	
The reduction is due to utilization of technology permitting more online interactions versus face-to-face meetings. (FY 2020 Baseline: \$12,131 thousand; Baseline FTEs: 0)		
6) DFAS Financial Operations	-1,024	
The decrease is to properly adjust price growth in accordance with the estimated cost projection provided by DFAS. (FY 2020 Baseline: \$4,901 thousand; Baseline FTEs: 0)		
7) Supplies & Materials	-219	
The decrease is the result of properly aligning costs to Line 989, Other Services, within the new		

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<b>C. <u>Reconciliation of Increases and Decreases</u></b>	<b><u>Amount</u></b>	<b><u>Totals</u></b>
accounting system structure. (FY 2020 Baseline: \$1,355 thousand; Baseline FTEs: 0)		
8) Rents (Non-GSA) The reduction reflects actual anticipated lease costs that will no longer be required. (FY 2020 Baseline: \$2,408 thousand; Baseline FTEs: 0)	-40	
<b>FY 2021 Budget Request</b>		<b>608,117</b>

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

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

**Performance Based Measures Overview.** As a key defense acquisition 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 83 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-IG, the GAO, and the Congress.

The DCAA performs audits primarily for contracting officers in the Departments of the Army, Navy, 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.

**Strategic Plan.** The DCAA's current Strategic Plan was issued in April 2016. 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. The DCAA also uses a Human Capital Plan which tiers from the Strategic

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

Plan and addresses strategies related to recruitment, on boarding, employee development, retention and succession planning.

**DCAA Mission.** As a key member of the government acquisition team, we are dedicated stewards of taxpayer dollars who deliver high quality contract audits and services to ensure that warfighters get what they need at fair and reasonable prices. Our mission statement clarifies our commitment to getting the most value for every dollar spent on defense contracts.

**DCAA Vision.** Every audit or service we deliver is on time, on point, and highly valued. Our vision is to provide products and services that are indispensable to the acquisition process. We aspire to always deliver services and products when we promise them and in time to meet acquisition requirements. We strive to deliver the right service, at the right time, to provide the most value throughout the contracting cycle.

**DCAA Strategic Plan Goals**

Goal 1: Embody a culture of One Agency, One Team, One Direction.

Goal 2: Support the acquisition community by providing quality audits and advisory services.

Goal 3: Foster a diverse workforce of highly motivated and valued professionals.

Goal 4: Enhance working relationships with DCAA external stakeholders.

Goal 5: Provide the workforce with the right information, business processes, and capabilities to successfully accomplish the mission.

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

**Summary of Audit Performance Based Measures.** The DCAA continues to reassess performance measures to develop measurements that more closely align with the Strategic Plan. Detailed descriptions are provided for each of the existing measures.

<u>Audit Performance Measures</u>	<u>FY 2019 Objective</u>	<u>FY 2019 Actuals</u>	<u>FY 2020 Objective</u>	<u>FY 2021 Objective</u>
<b><u>Workforce Environment</u></b>				
<b><u>Measures:</u></b>				
1 Federal Employee Viewpoint Survey - Response Rate	75%	75%	75%	75%
<b><u>Quality Related Measures:</u></b>				
2 DCAA QA Review Results - Audits Performed in Accordance with GAGAS	Exceed FY 2018 Rate	79.6%	Exceed FY 2019 Rate	Exceed FY 2020 Rate
<b><u>Timeliness Measures:</u></b>				
3 Incurred Cost Aging (Months)	Close within 12 months of an adequate submission	99.8% On Time	Close within 12 months of an adequate submission	Close within 12 months of an adequate submission
4 Forward Pricing Audits Issued by Original Due Date	85%	83%	87%	89%
<b><u>Efficiency Measures:</u></b>				
5 Incurred Cost Years Closed	4,000	7,778	4,000	4,000

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

6	Increase in Business System/Post award Audits Completed	250	115	250	Maintain FY 2020 Quantity
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**Description of Performance Measures:**

**1. Federal Employee Viewpoint Survey – Response Rate.** The DCAA uses this measure to assess the extent of employee engagement. The response rate is an indication of employee engagement, desire to play a part in continuing improvement, and belief that leadership will listen and act. The response rate represents the percent of employees that complete the survey compared to the total universe of employees surveyed.

**2. DCAA Quality Assurance (QA) Review Results – Audits performed in accordance with GAGAS.** The DCAA uses this measure to validate the quality of audits completed. The DCAA’s Quality Assurance organization performs these reviews and evaluates whether they are performed in accordance with GAGAS; the goal is to increase the percentage of audits passing the QA Review each cycle.

**3. Incurred Cost Aging (Months).** The DCAA uses this measure to gauge the currency of its inventory of contractor fiscal year incurred cost submissions on hand. The DCAA prioritized incurred cost work in recent years and continues to close older proposals in a timely manner. In FY 2018, DCAA continued to make a substantial reduction in its incurred cost backlog, closing over 6,000 incurred cost years related to contractor fiscal years 2015 and prior; this brought the average age of inventory to 8.4 months. In FY 2019 DCAA transitioned to an updated timeliness objective and began to close incurred cost submissions within 12 months of the identification of an adequate submission in



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accordance with the NDAA for FY 2018. The DCAA completed 99.8% of its incurred cost reviews within 12 months in FY 2019.

**4. 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. The 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.

**5. Incurred cost years closed.** 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 measure represents the number of contractor fiscal years of incurred cost assignments closed through audits, memorandums, or cancellations. The DCAA has prioritized incurred cost work in recent years to decrease its incurred cost backlog and exceeded its goal for decreasing its incurred cost backlog in FY 2018 by closing 8,482 incurred cost years, including over 6,000 incurred cost years related to contractor fiscal years 2015 and prior. DCAA closed another 7,778 incurred cost years in FY 2019. This work put DCAA in position to provide more timely incurred cost audits begin closing approximately 4,000 annual incurred cost submissions within 12 months of the identification of an adequate submission in accordance with the NDAA for FY 2018.

**6. Increase in Business System/Truth in Negotiations (TiN) Audits Completed.** The DCAA completed fewer Business System/TiN Audits in FY 2018 as it prioritized incurred cost work

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to decrease its incurred cost backlog. However, DCAA began to transition its FY 2019 workload to the Department's higher-risk, higher-return audits and completed 115 additional audits. In FY 2020, DCAA will continue to increase continue its efforts in the high-risk audit areas of business systems and TiN audits. Business system audits evaluate contractor systems to assess if the systems generate accurate and reliable data for contracting officers to use in determining fair and reasonable prices. TiN audits evaluate contractor compliance with the Truth in Negotiations Act to ensure contractors provided contracting officers the most current, accurate and complete data at the time of negotiations.

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<b>V. <u>Personnel Summary</u></b>	<b><u>FY 2019</u></b>	<b><u>FY 2020</u></b>	<b><u>FY 2021</u></b>	<b>Change <u>FY 2019/ FY 2020</u></b>	<b>Change <u>FY 2020/ FY 2021</u></b>
<u>Civilian End Strength (Total)</u>	<u>4,347</u>	<u>4,432</u>	<u>3,915</u>	<u>85</u>	<u>-517</u>
U.S. Direct Hire	4,057	4,151	3,658	94	-493
Total Direct Hire	4,057	4,151	3,658	94	-493
Reimbursable Civilians	290	281	257	-9	-24
<u>Civilian FTEs (Total)</u>	<u>4,403</u>	<u>4,430</u>	<u>4,057</u>	<u>27</u>	<u>-373</u>
U.S. Direct Hire	4,113	4,149	3,800	36	-349
Total Direct Hire	4,113	4,149	3,800	36	-349
Reimbursable Civilians	290	281	257	-9	-24
Average Annual Civilian Salary (\$ in thousands)	126.7	124.0	136.9	-2.7	12.9
 <u>Contractor FTEs (Total)</u>	 <u>302</u>	 <u>296</u>	 <u>288</u>	 <u>-6</u>	 <u>-8</u>

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

<u>OP 32 Line</u>	Change			<u>FY 2020 Enacted</u>	Change		<u>FY 2021 Estimate</u>
	<u>FY 2019 Actuals</u>	<u>FY 2019/FY 2020 Price</u>	<u>Program</u>		<u>FY 2020/FY 2021 Price</u>	<u>Program</u>	
101 Exec, Gen'l & Spec Scheds	518,567	14,389	-20,702	512,254	7,889	-4,647	515,496
103 Wage Board	34	1	29	64	1	-64	1
111 Disability Compensation	1,524	42	-164	1,402	22	1,769	3,193
121 PCS Benefits	1,171	33	-382	822	13	624	1,459
<b>199 Total Civ Compensation</b>	<b>521,296</b>	<b>14,465</b>	<b>-21,219</b>	<b>514,542</b>	<b>7,925</b>	<b>-2,318</b>	<b>520,149</b>
308 Travel of Persons	13,062	256	-1,212	12,106	242	-3,070	9,278
<b>399 Total Travel</b>	<b>13,062</b>	<b>256</b>	<b>-1,212</b>	<b>12,106</b>	<b>242</b>	<b>-3,070</b>	<b>9,278</b>
696 DFAS Financial Operation (Other Defense Agencies)	4,931	10	-40	4,901	1,315	-1,024	5,192
<b>699 Total DWCF Purchases</b>	<b>4,931</b>	<b>10</b>	<b>-40</b>	<b>4,901</b>	<b>1,315</b>	<b>-1,024</b>	<b>5,192</b>
771 Commercial Transport	1,044	21	144	1,209	24	0	1,233
<b>799 Total Transportation</b>	<b>1,044</b>	<b>21</b>	<b>144</b>	<b>1,209</b>	<b>24</b>	<b>0</b>	<b>1,233</b>
912 Rental Payments to GSA (SLUC)	13,751	275	-356	13,670	273	-902	13,041
913 Purchased Utilities (Non-Fund)	125	3	-10	118	2	60	180
914 Purchased Communications (Non-Fund)	9,413	188	-4,175	5,426	109	3,986	9,521
915 Rents (Non-GSA)	2,315	46	47	2,408	48	-40	2,416
917 Postal Services (U.S.P.S)	104	2	-106	0	0	190	190
920 Supplies & Materials (Non-Fund)	1,359	27	-31	1,355	27	-619	763
921 Printing & Reproduction	10	0	4	14	0	0	14
922 Equipment Maintenance By Contract	31	1	10,140	10,172	203	-5,131	5,244
923 Facilities Sust, Rest, & Mod by Contract	2,567	51	-1,678	940	19	0	959
925 Equipment Purchases (Non-Fund)	7,871	157	-4,861	3,167	63	-2,843	387
932 Mgt Prof Support Svcs	5,942	119	-6,061	0	0	1,094	1,094
960 Other Costs (Interest and Dividends)	0	0	2	2	0	0	2
987 Other Intra-Govt Purch	4,560	90	8,443	13,093	262	-4,060	9,295
989 Other Services	12,444	249	21,867	34,560	691	-17,969	17,282

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<u>OP 32 Line</u>	FY 2019 <u>Actuals</u>	Change <u>FY 2019/FY 2020</u>		FY 2020 <u>Enacted</u>	Change <u>FY 2020/FY 2021</u>		FY 2021 <u>Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
990 IT Contract Support Services	16,068	321	-6,626	9,763	195	1,919	11,877
<b>999 Total Other Purchases</b>	<b>76,560</b>	<b>1,529</b>	<b>16,599</b>	<b>94,688</b>	<b>1,892</b>	<b>-24,315</b>	<b>72,265</b>
<b>Total</b>	<b>616,893</b>	<b>16,281</b>	<b>-5,728</b>	<b>627,446</b>	<b>11,398</b>	<b>-30,727</b>	<b>608,117</b>

\* The FY 2019 Actual column includes \$1,295.0 thousand of FY 2019 OCO Appropriations Funding (P.L. 115-245).

\* The FY 2020 Enacted column excludes \$1,810.0 thousand of FY 2020 OCO Appropriations Funding (P.L. 116-93).

\* The FY 2021 Estimate column excludes \$1,247.0 thousand of FY 2021 OCO Appropriations Funding.

\* The FY 2019 OCO Actual from the footnote above does not match the data in the OSD budget database due to a disconnect discovered after budget database had locked; the footnote reflects the correct FY 2019 Actual OCO Appropriation Funding.