

Fiscal Year 2022 President's Budget

Defense Contract Audit Agency



May 2021

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2022 President's Budget**

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

	<u>FY 2020 Actuals</u>	<u>Price Change</u>	<u>Program Change</u>	<u>FY 2021 Enacted</u>	<u>Price Change</u>	<u>Program Change</u>	<u>FY 2022 Request</u>
DCAA	615,905	11,151	-20,850	606,206	13,882	-1,562	618,526

*FY 2020 includes Division A, Title IX and X of the Consolidated Appropriations Act, 2020 (P.L. 116-93), Division F, Title IV and V from the Further Consolidated Appropriations Act, 2020 (P.L. 116-94) and the Coronavirus Aid, Relief, and Economic Security Act (P.L. 116-136).

*FY 2021 includes Division C, Title IX and Division J, Title IV of the Consolidated Appropriations Act, 2021 (P.L. 116-260).

I. Description of Operations Financed:

(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, the 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 Acquisition Regulation (FAR), Part 15 (Contracting by Negotiation). The DCAA audits only contractors and 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. Out of a population of approximately 7,500 active contractors, the DCAA engages with over 4,800 contractors in a typical year, examining more than \$400 billion in contract costs, and issuing about 2,800 audit reports.

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2022 President's Budget**

I. Description of Operations Financed: (Cont.)

In FY 2022, the DCAA will be executing its entire portfolio of audit work including Incurred Cost, Forward Pricing, Terminations and Claims, Business Systems, Cost Accounting Standards (CAS), and Truth in Negotiation (TiN) compliance audits. In addition, the DCAA will use a Contractor Information Surveys to collect information, primarily from select smaller contractors, to inform the audit effort. Focusing on the entire portfolio of audit work enables the 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 2020 Financial Statements received an unmodified opinion from independent public auditors. The DCAA has maintained an unmodified audit opinion since FY 2000.

The DCAA continues to return savings to the Government that far exceed the cost of its operations. In FY 2020, the Agency audited approximately \$185 billion of costs incurred on contracts and issued 719 forward pricing proposal audit reports covering over \$194 billion in proposed contract costs. The DCAA also recognized \$3.5 billion in net savings as a result of reported audit findings. The return on taxpayers' investment is approximately \$5.21 for every dollar invested in the Agency (\$665.8 million in FY 2020, 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.** Per the FAR and Public Law 100-679, the Cost Accounting Standards (CAS) require the 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 of time 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 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.

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2022 President's Budget**

I. Description of Operations Financed: (Cont.)

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 the DCAA's files.

2. **Incurred Cost Effort.** The FAR requires the 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, the knowledge of contractors' accounting and other business systems gained during these audits is helpful in evaluating contractors' price proposals.

In FY 2022, the 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), in accordance with the National Defense Authorization Act of FY 2018.

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 the 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 the DCAA. The 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, 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. The DCAA performs audits of contractors' accounting system, material management and accounting system (MMAS), and estimating system.

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2022 President's Budget**

I. Description of Operations Financed: (Cont.)

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 noncompliance.

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 the DCAA management with information regarding specific awards, trends in type and volume of awards, and other data impacting immediate or long range DCAA responsibilities; and provide the 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. The contractors' accounting functions, operations, and contract performance may occur at multiple locations under the audit cognizance of multiple DCAA field offices, but the contract audit activities and reporting associated with each contractor are under the direction of one DCAA management hierarchy.

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 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

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2022 President's Budget**

I. Description of Operations Financed: (Cont.)

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 over 4,000 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 the DCAA training and career development 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.

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.

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2022 President's Budget**

I. Description of Operations Financed: (Cont.)

The FY 2022 Direct War and Enduring Costs accounted for in the base budget are as follows:

- Direct War costs accounted for in the Base Budget: \$0.0 thousand: Direct War costs are those combat or direct combat support costs that will not continue to be expended once combat operations end at major contingency locations.

- Enduring costs accounted for in the Base Budget: \$600 thousand: Enduring Requirements are enduring in theater and in CONUS costs that will likely remain after combat operations cease.

II. Force Structure Summary:

Not Applicable.

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2022 President's Budget**

III. Financial Summary (\$ in Thousands):

	FY 2021						
	FY 2020 Actuals	Budget Request	Congressional Action			Current Enacted	FY 2022 Request
			Amount	Percent	Appropriated		
<u>A. BA Subactivities</u>							
1. Audit Operations	\$615,905	\$606,082	\$124	0.02%	\$606,206	\$606,206	\$618,526
DCAA Communications	\$9,902	\$9,522	\$0	0.00%	\$9,522	\$9,522	\$10,454
DCAA Major Headquarters	\$38,965	\$41,433	\$0	0.00%	\$41,433	\$41,433	\$41,582
DCAA Operations	<u>\$567,038</u>	<u>\$555,127</u>	<u>\$124</u>	<u>0.02%</u>	<u>\$555,251</u>	<u>\$555,251</u>	<u>\$566,490</u>
Total	\$615,905	\$606,082	\$124	0.02%	\$606,206	\$606,206	\$618,526

*FY 2020 includes Division A, Title IX and X of the Consolidated Appropriations Act, 2020 (P.L. 116-93), Division F, Title IV and V from the Further Consolidated Appropriations Act, 2020 (P.L. 116-94) and the Coronavirus Aid, Relief, and Economic Security Act (P.L. 116-136).

*FY 2021 includes Division C, Title IX and Division J, Title IV of the Consolidated Appropriations Act, 2021 (P.L. 116-260).

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2022 President's Budget**

III. Financial Summary (\$ in Thousands): (Cont.)

<u>B. Reconciliation Summary</u>	<u>Change FY 2021/FY 2021</u>	<u>Change FY 2021/FY 2022</u>
BASELINE FUNDING	\$606,082	\$606,206
Congressional Adjustments (Distributed)	4,000	
Congressional Adjustments (Undistributed)	-3,876	
Adjustments to Meet Congressional Intent	0	
Congressional Adjustments (General Provisions)	0	
SUBTOTAL APPROPRIATED AMOUNT	606,206	
Fact-of-Life Changes (2021 to 2021 Only)	0	
SUBTOTAL BASELINE FUNDING	606,206	
Supplemental	0	
Reprogrammings	0	
Price Changes		13,882
Functional Transfers		0
Program Changes		-1,562
CURRENT ESTIMATE	606,206	618,526
Less: Wartime Supplemental	0	
NORMALIZED CURRENT ESTIMATE	\$606,206	\$618,526

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2022 President's Budget**

III. Financial Summary (\$ in Thousands): (Cont.)

FY 2021 President's Budget Request (Amended, if applicable)	\$606,082
1. Congressional Adjustments	\$124
a) Distributed Adjustments.....	\$4,000
1) Program decrease unaccounted for.....	\$-15,000
2) Program increase - restore defense-wide review reductions.....	\$19,000
b) Undistributed Adjustments	\$-3,876
1) Undistributed Adjustment – Excess to Need – Non-NIP.....	\$-3,876
c) Adjustments to Meet Congressional Intent.....	\$0
d) General Provisions	\$0
FY 2021 Appropriated Amount	\$606,206
2. War-Related and Disaster Supplemental Appropriations	\$0
a) OCO Supplemental Funding	\$0
3. Fact-of-Life Changes.....	\$0
a) Functional Transfers.....	\$0
b) Technical Adjustments	\$0
c) Emergent Requirements.....	\$0

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2022 President's Budget**

III. Financial Summary (\$ in Thousands): (Cont.)

FY 2021 Baseline Funding	\$606,206
4. Reprogrammings (Requiring 1415 Actions).....	\$0
a) Increases	\$0
b) Decreases	\$0
Revised FY 2021 Estimate	\$606,206
5. Less: Item 2, War-Related and Disaster Supplemental Appropriation and Item 4, Reprogrammings	\$0
a) Less: OCO Supplemental Funding.....	\$0
FY 2021 Normalized Current Estimate	\$606,206
6. Price Change	\$13,882
7. Functional Transfers	\$0
a) Transfers In	\$0
b) Transfers Out.....	\$0
8. Program Increases.....	\$18,962
a) Annualization of New FY 2021 Program	\$0
b) One-Time FY 2022 Increases	\$0
c) Program Growth in FY 2022.....	\$18,962
1) Commercial Transport.....	\$516

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2022 President's Budget**

III. Financial Summary (\$ in Thousands): (Cont.)

Increase is due to a consolidation of office space resulting from FY 2021 operational reform initiatives, which resulted in additional commercial transportation requirements to move furniture and equipment to other office locations or the Defense Reutilization and Marketing Office.

(FY 2021 Baseline: \$1,233 thousand)

2) Contract Support \$3,880

The increase supports contract audit services and financial advice to all of the DoD acquisition officials to assist them in achieving fair and reasonable contract prices and assuring compliance with contractual terms and conditions.

(FY 2021 Baseline: \$16,229 thousand)

3) DCAI Training and Development..... \$3,756

The increase in the DCAI training and development is due to significant reductions in the programmed Defense Acquisition Workforce Development Account (DAWDA) which had provided funding for workforce development, retention and recruitment efforts.

(FY 2021 Baseline: \$937 thousand)

4) IT Support Services \$1,317

The increase is due to the vendor of our mission essential CaseWare contract no longer offering discounts, which increased the costs. The CaseWare software is used by the audit staff to document the audit work performed, results of negotiations, and impact to the Department.

Per the DoD CIO, the DCAA is required to transition from Time Division Multiplex (TDM) to Ethernet circuits for their telecommunications infrastructure; consequently, there is a substantial price increase for the enhanced service inherent with these circuits.

(FY 2021 Baseline: \$17,669 thousand)

5) Other Intragovernmental Purchases \$997

The increase is due to the Department of Homeland Security (DHS) change in billing methodology.

(FY 2021 Baseline: \$9,941 thousand)

6) Personnel Compensation \$8,496

The increase is due to civilian economic assumptions, as well as an increase to audit services for all of the DoD acquisition officials to assist them in achieving fair and reasonable contract prices and assuring compliance with contractual terms and conditions.

(FY 2021 Baseline: \$519,803 thousand)

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2022 President's Budget**

III. Financial Summary (\$ in Thousands): (Cont.)

9. Program Decreases	\$-20,524
a) Annualization of FY 2021 Program Decreases	\$0
b) One-Time FY 2021 Increases	\$-19,000
1) Restore Defense-Wide Review reduction	\$-19,000
c) Program Decreases in FY 2022	\$-1,524
1) Travel	\$-849
The reduction in mission travel is due to major advancements in virtual connectivity due to the Covid-19 pandemic. (FY 2021 Baseline: \$9,723 thousand)	
2) Direct War and Enduring program changes accounted for in the Base Budget	\$-675
Direct War costs are those combat or direct combat support costs that will not continue to be expended once combat operations end at major contingency locations. Enduring Requirements are enduring in theater and in CONUS costs that will likely remain after combat operations cease, and have previously been funded in OCO. Detailed justifications for Direct War and Enduring program changes are provided in the Operation and Maintenance, Defense-wide, Volume I Part 2 Book.	
(FY 2021 Baseline: \$1,247 thousand)	
FY 2022 Budget Request	\$618,526

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2022 President's Budget**

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, the 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, the 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 the DCAA's budget. Statutory and regulatory requirements, designed to ensure that the Government meets its fiduciary responsibilities to the public, drive the majority of the DCAA's workload. In this capacity, the 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 the 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 uses a strategic planning approach which aims to achieve the DCAA's Vision through its pursuit of several goals to be accomplished within a 5-year timeframe. The DCAA's Strategic Plan for FY 2021 – FY 2025 addresses key challenges and steers the Agency to additional improvements through FY 2025 with an eye toward creating the ideal audit environment for the 21st Century. The DCAA also uses 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. Together with our acquisition partners, we increase warfighter capabilities by delivering high quality audits and financial services to achieve fair and reasonable prices that protect taxpayer dollars. Our mission statement clarifies our commitment to getting the most value for every dollar spent on defense contracts. We operate as a member of the acquisition community that works together to equip and serve our service members in uniform. As stewards who look out for taxpayers' interests, we conduct high quality contract audit services to ensure that the government is paying fair prices for what it buys.

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: Better Serve the Department by Strengthening Strategic Alliances.

Goal 2: Align our Products and Services to be Flexible and Responsive to Customer Needs.

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2022 President's Budget**

IV. Performance Criteria and Evaluation Summary:

Goal 3: Recruit, Cultivate, and Retain a Highly Skilled, Flexible, and Empowered Workforce.

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2022 President's Budget**

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 Actuals</u>	<u>FY 2020 Actuals</u>	<u>FY 2021 Objective</u>	<u>FY 2022 Objective</u>
	<u>Workforce Environment Measures:</u>				
1	Federal Employee Viewpoint Survey – Response Rate	70%	69%	75%	75%
2	Federal Employee Viewpoint Survey – Best Places to Work in the Federal Government Ranking	69 of 420	Maintain upper quartile ranking	Maintain upper quartile ranking	Maintain upper quartile ranking
	<u>Quality Related Measures:</u>				
3	DCAA QA Review Results – Audits Performed in Accordance with GAGAS	79.6%	86.0%	Exceed FY 2020 Rate	Exceed FY 2021 Rate
	<u>Productivity Measures:</u>				
4	Forward Pricing Audits Issued by Original Due Date	85%	93%	Maintain/exceed prior year rate	Maintain/exceed prior year rate
5	Pre-Award Accounting System Audit delivered within 90 days	55 days	56 days	Maintain prior year rate	Maintain prior year rate
6	Truth in Negotiations Audits Completed	25	94	100	100 adjusted for risk
7	Business System Audits Completed	30	67	183	200 adjusted for risk

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2022 President's Budget**

IV. Performance Criteria and Evaluation Summary:

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. Best Places to Work in the Federal Government.** The DCAA uses this measure to assess the extent of employee satisfaction with their jobs and the organization. The rate reflects participating employee perception that the DCAA is a good place to work. Rate is independently compared against federal government agencies in the peer group. The lower the number relative to the peer group, the better the outcome.
- 3. 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.
- 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 the 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 be maintained or improve each year.
- 5. Pre-Award Accounting System Audit delivered within 90 days.** Contracting officers in the process of negotiating cost-reimbursable contracts request audit advice on the reasonableness of the contractor's accounting system from the DCAA. The purpose is to make sure the contractor has a system in place, or has designed a system capable of accounting for and billing costs on government contracts. The DCAA's ability to provide these audit services in a timely manner is critical to the timely awarding of contracts and for progress billings. The DCAA uses the 90 day benchmark to measure timeliness in delivering pre-award services.
- 6. Truth in Negotiations (TiN) Audits Completed.** With the DCAA's incurred cost backlog completed in 2019, the DCAA began to transition its FY 2019 workload to the Department's higher-risk, higher-return audits and completed 25 TiN audits. In FY 2020, the DCAA continued its efforts in the high-risk audit areas including TiN audits, completing 94 audits. In 2021 and beyond, the DCAA will continue this focus and 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.
- 7. Business System Audits Completed.** In FY 2019, the DCAA began to transition its workload to the Department's higher-risk, higher-return audits and completed 30 Business System audits. In FY 2020, the DCAA completed 67 Business System audits. In 2021 and beyond, the DCAA will continue to focus on oversight of high-risk contractor business systems and adjust the plan for a number of supplementary audits based on three to five year cycles. Therefore, the total number audited in a given year will fluctuate. Business system audits include accounting systems, material management and accounting systems commonly referred to as MMAS, and estimating systems. These audits are designed to evaluate contractor systems to assess if the systems generate accurate and reliable data for contracting officers to use in determining fair and reasonable prices.

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2022 President's Budget**

V. Personnel Summary:

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>Change FY 2020/ FY 2021</u>	<u>Change FY 2021/ FY 2022</u>
Civilian End Strength (Total)	4,360	3,895	3,896	-465	1
U.S. Direct Hire	4,053	3,623	3,624	-430	1
Total Direct Hire	4,053	3,623	3,624	-430	1
Reimbursable Civilians	307	272	272	-35	0
Civilian FTEs (Total)	4,271	4,065	4,064	-206	-1
U.S. Direct Hire	3,964	3,793	3,792	-171	-1
Total Direct Hire	3,964	3,793	3,792	-171	-1
Reimbursable Civilians	307	272	272	-35	0
Average Annual Civilian Salary (\$ in thousands)	134.3	137.0	139.2	2.8	2.2
Contractor FTEs (Total)	108	111	112	3	1

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2022 President's Budget**

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

	FY 2020 Program	Change from FY 2020 to FY 2021		FY 2021 Program	Change from FY 2021 to FY 2022		FY 2022 Program
		Price Growth	Program Growth		Price Growth	Program Growth	
101 EXEC, GEN'L & SPEC SCHEDS	528,175	8,134	-21,158	515,151	11,694	-3,926	522,919
111 DISABILITY COMPENSATION	2,880	44	269	3,193	72	29	3,294
121 PCS BENEFITS	1,274	20	165	1,459	33	138	1,630
0199 TOTAL CIVILIAN PERSONNEL COMPENSATION	532,329	8,198	-20,724	519,803	11,799	-3,759	527,843
308 TRAVEL OF PERSONS	5,404	108	4,211	9,723	185	-849	9,059
0399 TOTAL TRAVEL	5,404	108	4,211	9,723	185	-849	9,059
696 DFAS FINANCIAL OPERATION (OTHER DEFENSE AGENCIES)	5,160	1,384	-1,352	5,192	539	-230	5,501
0699 TOTAL OTHER FUND PURCHASES	5,160	1,384	-1,352	5,192	539	-230	5,501
771 COMMERCIAL TRANSPORT	988	20	225	1,233	23	493	1,749
0799 TOTAL TRANSPORTATION	988	20	225	1,233	23	493	1,749
912 RENTAL PAYMENTS TO GSA (SLUC)	13,798	276	-1,033	13,041	248	158	13,447
913 PURCHASED UTILITIES (NON-FUND)	137	3	40	180	3	-17	166
914 PURCHASED COMMUNICATIONS (NON-FUND)	9,902	198	-578	9,522	181	751	10,454
915 RENTS (NON-GSA)	2,479	50	-113	2,416	46	-34	2,428
917 POSTAL SERVICES (U.S.P.S)	103	2	85	190	4	-1	193
920 SUPPLIES & MATERIALS (NON-FUND)	1,142	23	-114	1,051	20	-9	1,062
921 PRINTING & REPRODUCTION	10	0	4	14	0		14
922 EQUIPMENT MAINTENANCE BY CONTRACT	108	2	-59	51	1	7	59
923 FACILITIES SUST, REST, & MOD BY CONTRACT	3,210	64	-1,815	1,459	28	-16	1,471
925 EQUIPMENT PURCHASES (NON-FUND)	6,492	130	-5,056	1,566	30	-36	1,560
932 MGT PROF SUPPORT SVCS	745	15	-760	0	0	0	0
960 OTHER COSTS (INTEREST AND DIVIDENDS)	0	0	2	2	0		2
987 OTHER INTRA-GOVT PURCH	6,495	130	3,316	9,941	189	689	10,819
989 OTHER SERVICES	11,847	237	1,069	13,153	250	458	13,861
990 IT CONTRACT SUPPORT SERVICES	15,556	311	1,802	17,669	336	833	18,838

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2022 President's Budget**

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

	FY 2020 <u>Program</u>	<u>Change from FY 2020 to FY 2021</u>		FY 2021 <u>Program</u>	<u>Change from FY 2021 to FY 2022</u>		FY 2022 <u>Program</u>
		<u>Price Growth</u>	<u>Program Growth</u>		<u>Price Growth</u>	<u>Program Growth</u>	
0999 TOTAL OTHER PURCHASES	72,024	1,441	-3,210	70,255	1,336	2,783	74,374
9999 GRAND TOTAL	615,905	11,151	-20,850	606,206	13,882	-1,562	618,526

*FY 2020 includes Division A, Title IX and X of the Consolidated Appropriations Act, 2020 (P.L. 116-93), Division F, Title IV and V from the Further Consolidated Appropriations Act, 2020 (P.L. 116-94) and the Coronavirus Aid, Relief, and Economic Security Act (P.L. 116-136).

*FY 2021 includes Division C, Title IX and Division J, Title IV of the Consolidated Appropriations Act, 2021 (P.L. 116-260).