

Fiscal Year 2023 Budget Estimates

Defense Contract Audit Agency



April 2022

**Defense Contract Audit Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2023 Budget Estimates**

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

	<u>FY 2021 Actuals</u>	<u>Price Change</u>	<u>Program Change</u>	<u>FY 2022 Enacted</u>	<u>Price Change</u>	<u>Program Change</u>	<u>FY 2023 Request</u>
DCAA	601,859	14,678	-10,011	606,526	23,367	16,179	646,072

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

*The total amount of the FY 2023 request reflects \$93.0 thousand for Overseas Operations Costs.

I. Description of Operations Financed:

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 the 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 7,200 active contractors, the DCAA engages with over 4,800 contractors in a typical year, examining more than \$260 billion in contract costs, and issuing about 2,700 audit reports.

In FY 2023, 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 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 the DoD gets the best

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I. Description of Operations Financed: (Cont.)

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; (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 2021 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 2021, the Agency audited approximately \$259.7 billion of costs incurred on contracts and issued 632 forward pricing proposal audit reports covering over \$63 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 \$5.7 for every dollar invested in the Agency (\$646.3 million in FY 2021, including reimbursable funding).

The DCAA's workload and associated staffing levels follow the DoD procurement funding levels. The DCAA contract audit operations are 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.

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.

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

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I. Description of Operations Financed: (Cont.)

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 2023, 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; (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 audits evaluate contractor systems to assess whether 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.

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 the 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:

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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 the 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 the 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.

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I. Description of Operations Financed: (Cont.)

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 the 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.

Fiscal Year (FY) 2023 Overseas Operations Costs funding accounted for in the Base budget include:

- Operation INHERENT RESOLVE (OIR) [\$93 thousand].
- Operation European Deterrence Initiative (EDI) [\$0 thousand].
- Other theater requirements and related missions [\$0 thousand].

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II. Force Structure Summary:
Not Applicable.

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III. Financial Summary (\$ in Thousands):

	FY 2021 <u>Actuals</u>	Budget <u>Request</u>	FY 2022 <u>Congressional Action</u>			Current <u>Enacted</u>	FY 2023 <u>Request</u>
			<u>Amount</u>	<u>Percent</u>	<u>Appropriated</u>		
<u>A. BA Subactivities</u>							
1. Audit Operations	\$601,859	\$618,526	\$-12,000	-1.94%	\$606,526	\$606,526	\$646,072
DCAA Communications	\$11,262	\$10,454	\$0	0.00%	\$10,454	\$10,454	\$12,531
DCAA Major Headquarters	\$40,031	\$41,582	\$0	0.00%	\$41,582	\$41,582	\$46,987
DCAA Operations	<u>\$550,566</u>	<u>\$566,490</u>	<u>\$-12,000</u>	<u>-2.12%</u>	<u>\$554,490</u>	<u>\$554,490</u>	<u>\$586,554</u>
Total	\$601,859	\$618,526	\$-12,000	-1.94%	\$606,526	\$606,526	\$646,072

*Overseas Operations costs accounted for in the base budget: \$93.0 thousand.

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

<u>B. Reconciliation Summary</u>	<u>Change FY 2022/FY 2022</u>	<u>Change FY 2022/FY 2023</u>
BASELINE FUNDING	\$618,526	\$606,526
Congressional Adjustments (Distributed)	-12,000	
Congressional Adjustments (Undistributed)	0	
Adjustments to Meet Congressional Intent	0	
Congressional Adjustments (General Provisions)	0	
SUBTOTAL APPROPRIATED AMOUNT	606,526	
Fact-of-Life Changes (2022 to 2022 Only)	0	
SUBTOTAL BASELINE FUNDING	606,526	
Supplemental	0	
Reprogrammings	0	
Price Changes		23,367
Functional Transfers		0
Program Changes		16,179
CURRENT ESTIMATE	606,526	646,072
Less: Supplemental	0	
NORMALIZED CURRENT ESTIMATE	\$606,526	\$646,072

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FY 2022 President's Budget Request (Amended, if applicable)	\$618,526
1. Congressional Adjustments	\$-12,000
a) Distributed Adjustments.....	\$-12,000
1) Unjustified growth	\$-12,000
b) Undistributed Adjustments	\$0
c) Adjustments to Meet Congressional Intent.....	\$0
d) General Provisions	\$0
FY 2022 Appropriated Amount	\$606,526
2. Supplemental Appropriations	\$0
a) Supplemental Funding.....	\$0
3. Fact-of-Life Changes.....	\$0
a) Functional Transfers.....	\$0
b) Technical Adjustments	\$0
c) Emergent Requirements.....	\$0
FY 2022 Baseline Funding	\$606,526
4. Reprogrammings (Requiring 1415 Actions).....	\$0

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

a) Increases	\$0
b) Decreases	\$0
Revised FY 2022 Estimate.....	\$606,526
5. Less: Item 2, Supplemental Appropriation and Item 4, Reprogrammings	\$0
a) Less: Supplemental Funding	\$0
FY 2022 Normalized Current Estimate	\$606,526
6. Price Change	\$23,367
7. Functional Transfers	\$0
a) Transfers In	\$0
b) Transfers Out.....	\$0
8. Program Increases.....	\$20,555
a) Annualization of New FY 2022 Program	\$0
b) One-Time FY 2023 Increases	\$0
c) Program Growth in FY 2023.....	\$20,555
1) Personnel Compensation	\$8,615
The increase of 39 FTEs in FY 2023 will enable the DCAA workforce to effectively address the Department's most critical contract audit areas including business systems, truth in negotiations, and investigative support for the Department civil and criminal investigators, and Attorneys. In FY 2021, the DCAA audit findings enabled Contracting Officers to negotiate fair and reasonable contract prices and saved \$3.7 billion for the	

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

Department. Without this level of support, the Services will experience an increase in costs associated with their defense contracting efforts.

(FY 2022 Baseline: \$515,843 thousand; 3,688 FTEs; +39 FTEs)

2) Telecommunication Services \$7,080

The increase supports the transition from a Time Division Multiplex (TDM) technology (which is an old technology) to Ethernet circuits for our telecommunications infrastructure in order to support the DoD cloud computing initiative and increase in transport demand; avoid interruptions when migrating to DoD365; and reduce latency. Consequently, there is a price increase for the enhanced service inherent with these new circuits.

(FY 2022 Baseline: \$34,010 thousand)

3) Travel..... \$4,860

Increase is for auditors to be physically onsite at contractor locations in order to perform mission critical requirements on contract audit missions in FY 2023. In FY 2022, travel for auditors was limited due to COVID 19 and the DCAA effectively leveraged technology to overcome most limitations; however, the lack of onsite presence impacted the scope and thoroughness of contract audits.

(FY 2022 Baseline: \$9,059 thousand)

9. Program Decreases\$-4,376

a) Annualization of FY 2022 Program Decreases\$0

b) One-Time FY 2022 Increases\$0

c) Program Decreases in FY 2023 \$-4,376

1) One Less Compensable Day \$-2,063

Decrease is due to one less compensable day in FY 2023. The number of compensable days for FY 2022 is 261 days (2,088 hours), and for FY 2023 is 260 days (2,080 hours).

(FY 2022 Baseline: \$527,843 thousand)

2) Contract Support \$-579

Decrease is due to a decline in facilities operations and maintenance cost due to the continued consolidation of the DCAA offices and associated reduction in leased space square footage. Reduction of leased space square footage has led to a reduction in maintenance and cleaning cost as well.

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

(FY 2022 Baseline: \$1,471 thousand)

3) DFAS Financial Operation..... \$-665

Decrease is to properly adjust price growth in accordance with the estimated cost projection provided by the Defense Finance Accounting Service (DFAS).

(FY 2022 Baseline: \$5,501 thousand)

4) Rental Payments to GSA \$-539

The decrease is due to a continued consolidation of office space resulting from the FY 2021 operational reform initiatives. Leased space square footage reductions have served to help offset increasing commercial market lease rates.

(FY 2022 Baseline: \$13,447 thousand)

5) Overseas Operations Costs accounted for in the Base Budget..... \$-530

Contingency operations and other theater related requirements and related missions previously funded in OCO. Detailed justifications for Overseas Operations program changes are provided in the Operation and Maintenance, Defense-Wide, Volume 1 Part 2 Book.

(FY 2022 Baseline: \$600 thousand)

FY 2023 Budget Request \$646,072

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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, 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.

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IV. Performance Criteria and Evaluation Summary:

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

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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 2020 Actuals</u>	<u>FY 2021 Actuals</u>	<u>FY 2022 Objective</u>	<u>FY 2023 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 2021 Rate	Exceed FY 2022 Rate
	<u>Productivity Measures:</u>				
4	Forward Pricing Proposal Audits Issued by Original Due Date	93%	90%	Maintain/exceed prior year rate	Maintain/exceed prior year rate
5	Pre-Award Accounting System Audit delivered within 90 days	56 days	53 days	Maintain prior year rate	Maintain prior year rate
6	Truth in Negotiations Audits Completed	94	96	100	100 adjusted for risk
7	Business System Audits Completed	67	107	183	200 adjusted for risk

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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 2021, the DCAA continued its efforts in the high-risk audit areas including TiN audits, completing 96 audits. In 2022 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 2021, the DCAA completed 107 Business System audits. In 2022 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.

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V. Personnel Summary:

	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>Change FY 2021/ FY 2022</u>	<u>Change FY 2022/ FY 2023</u>
Civilian End Strength (Total)	3,977	4,085	4,071	108	-14
U.S. Direct Hire	3,694	3,813	3,790	119	-23
Total Direct Hire	3,694	3,813	3,790	119	-23
Reimbursable Civilians	283	272	281	-11	9
Civilian FTEs (Total)	4,011	3,960	4,008	-51	48
U.S. Direct Hire	3,728	3,688	3,727	-40	39
Total Direct Hire	3,728	3,688	3,727	-40	39
Reimbursable Civilians	283	272	281	-11	9
Average Annual Civilian Salary (\$ in thousands)	139.3	139.9	145.8	0.5	5.9
Contractor FTEs (Total)	111	112	112	1	0

Personnel Summary Explanations:

The increase of 39 FTEs in FY 2023 will enable the DCAA workforce to effectively address the Department's most critical contract audit areas including business systems, truth in negotiations, and investigative support

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Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2023 Budget Estimates**

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

	FY 2021 Program	Change from FY 2021 to FY 2022		FY 2022 Program	Change from FY 2022 to FY 2023		FY 2023 Program
		Price Growth	Program Growth		Price Growth	Program Growth	
101 EXEC, GEN'L & SPEC SCHEDS	515,766	11,708	-16,555	510,919	21,075	6,364	538,358
111 DISABILITY COMPENSATION	2,956	67	271	3,294	136	-187	3,243
121 PCS BENEFITS	683	16	931	1,630	67	-78	1,619
0199 TOTAL CIVILIAN PERSONNEL COMPENSATION	519,405	11,791	-15,353	515,843	21,278	6,099	543,220
308 TRAVEL OF PERSONS	558	17	8,484	9,059	190	4,798	14,047
0399 TOTAL TRAVEL	558	17	8,484	9,059	190	4,798	14,047
680 BUILDING MAINT FUND PURCH	0	0	0	0	0	1,694	1,694
696 DFAS FINANCIAL OPERATION (OTHER DEFENSE AGENCIES)	5,565	578	-642	5,501	301	-665	5,137
0699 TOTAL OTHER FUND PURCHASES	5,565	578	-642	5,501	301	1,029	6,831
771 COMMERCIAL TRANSPORT	587	18	1,144	1,749	37	42	1,828
0799 TOTAL TRANSPORTATION	587	18	1,144	1,749	37	42	1,828
912 RENTAL PAYMENTS TO GSA (SLUC)	12,317	370	760	13,447	282	-581	13,148
913 PURCHASED UTILITIES (NON-FUND)	140	4	22	166	3		169
914 PURCHASED COMMUNICATIONS (NON-FUND)	11,134	334	-1,014	10,454	220	1,857	12,531
915 RENTS (NON-GSA)	2,030	61	337	2,428	51	-1,677	802
917 POSTAL SERVICES (U.S.P.S)	98	3	92	193	4	-16	181
920 SUPPLIES & MATERIALS (NON-FUND)	854	26	182	1,062	22	-40	1,044
921 PRINTING & REPRODUCTION	8	0	6	14	0	-1	13
922 EQUIPMENT MAINTENANCE BY CONTRACT	22	1	36	59	1	-54	6
923 FACILITIES SUST, REST, & MOD BY CONTRACT	3,817	115	-2,461	1,471	31	1,017	2,519
925 EQUIPMENT PURCHASES (NON-FUND)	5,393	162	-3,995	1,560	33	2,182	3,775
960 OTHER COSTS (INTEREST AND DIVIDENDS)	1	0	1	2	0	-1	1
987 OTHER INTRA-GOVT PURCH	7,832	235	2,752	10,819	227	1,709	12,755
989 OTHER SERVICES	10,235	307	3,319	13,861	291	-2,059	12,093

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	FY 2021 <u>Program</u>	<u>Change from FY 2021 to FY 2022</u>		FY 2022 <u>Program</u>	<u>Change from FY 2022 to FY 2023</u>		FY 2023 <u>Program</u>
		<u>Price Growth</u>	<u>Program Growth</u>		<u>Price Growth</u>	<u>Program Growth</u>	
990 IT CONTRACT SUPPORT SERVICES	21,863	656	-3,681	18,838	396	1,875	21,109
0999 TOTAL OTHER PURCHASES	75,744	2,274	-3,644	74,374	1,561	4,211	80,146
9999 GRAND TOTAL	601,859	14,678	-10,011	606,526	23,367	16,179	646,072