

# **Fiscal Year 2024 Budget Estimates**

## **Defense Contract Audit Agency**



**March 2023**

**Defense Contract Audit Agency  
Operation and Maintenance, Defense-Wide  
Fiscal Year (FY) 2024 Budget Estimates**

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

|      | <u>FY 2022<br/>Actuals</u> | <u>Price<br/>Change</u> | <u>Program<br/>Change</u> | <u>FY 2023<br/>Enacted</u> | <u>Price<br/>Change</u> | <u>Program<br/>Change</u> | <u>FY 2024<br/>Estimate</u> |
|------|----------------------------|-------------------------|---------------------------|----------------------------|-------------------------|---------------------------|-----------------------------|
| DCAA | 603,116                    | 23,324                  | 29,632                    | 656,072                    | 29,791                  | -17,920                   | 667,943                     |

- FY 2022 includes \$124 in OOC Actuals. FY 2023 includes \$93 in OOC Enacted budget. FY 2024 includes \$0 for the OOC Estimate.

**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 7,000 active contractors, the DCAA engages with over 4,600 contractors in a typical year, examining more than \$260 billion in contract costs, and issuing about 2,560 audit reports.

In FY 2024, 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 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

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**I. Description of Operations Financed: (Cont.)**

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 2022 Financial Statements received an unmodified opinion from independent public auditors. The DCAA has continuously 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 2022, the Agency audited approximately \$262 billion in contract costs, of which \$186 billion were incurred costs, and issued 486 forward pricing proposal audit reports covering over \$48 billion in proposed contract costs. As a result of reported audit findings, the DCAA recognized \$3.0 billion in net savings. The return on taxpayers' investment is approximately \$4.60 for every dollar invested in the Agency (\$647.9 million in FY 2022, 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.

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

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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 2024, 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. **Claims and Terminations.** 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. Claims and Terminations 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. **Business Systems, Cost Accounting Standards, & Truth in Negotiations** audits are primarily 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 of misallocation or mischarging costs:

a. **Truth in Negotiations Audits (TiN).** These audits require contracting officers to obtain certified cost or pricing data from contractors before awarding a contract unless an exception applies (10 USC §2306a). 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 when 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 the 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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**I. Description of Operations Financed: (Cont.)**

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 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.

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-

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**I. Description of Operations Financed: (Cont.)**

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 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. The OIT employs a computer hardware acquisition strategy/plan to satisfy AIS and personal computing requirements.

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. The Headquarters develops policy and promulgates instructions and operating directives needed to perform the Agency's 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.

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**II. Force Structure Summary:**  
Not Applicable.

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

|                            | <b>FY 2023</b>             |                           |                             |                |                     |                            | <b>FY 2024<br/>Estimate</b> |
|----------------------------|----------------------------|---------------------------|-----------------------------|----------------|---------------------|----------------------------|-----------------------------|
|                            | <b>FY 2022<br/>Actuals</b> | <b>Budget<br/>Request</b> | <b>Congressional Action</b> |                |                     | <b>Current<br/>Enacted</b> |                             |
|                            |                            |                           | <b>Amount</b>               | <b>Percent</b> | <b>Appropriated</b> |                            |                             |
| <b>A. BA Subactivities</b> |                            |                           |                             |                |                     |                            |                             |
| <b>1. Audit Operations</b> | <b>\$603,116</b>           | <b>\$646,072</b>          | <b>\$10,000</b>             | <b>1.55%</b>   | <b>\$656,072</b>    | <b>\$656,072</b>           | <b>\$667,943</b>            |
| DCAA Communications        | \$11,014                   | \$12,531                  | \$0                         | 0.00%          | \$12,531            | \$12,531                   | \$12,239                    |
| DCAA Major Headquarters    | \$39,754                   | \$46,987                  | \$0                         | 0.00%          | \$46,987            | \$46,987                   | \$47,195                    |
| DCAA Operations            | <u>\$552,348</u>           | <u>\$586,554</u>          | <u>\$10,000</u>             | <u>1.70%</u>   | <u>\$596,554</u>    | <u>\$596,554</u>           | <u>\$608,509</u>            |
| <b>Total</b>               | <b>\$603,116</b>           | <b>\$646,072</b>          | <b>\$10,000</b>             | <b>1.55%</b>   | <b>\$656,072</b>    | <b>\$656,072</b>           | <b>\$667,943</b>            |

| <b>Summary of Operation</b>                        | <b>FY 2022<br/>Actuals</b> | <b>FY 2023<br/>Enacted</b> | <b>FY 2024<br/>Estimate</b> |
|--|----------------------------|----------------------------|-----------------------------|
| Operation ENDURING SENTINEL (OES)                  | \$124                      | \$93                       | \$0                         |
| Operation INHERENT RESOLVE (OIR)                   | \$0                        | \$0                        | \$0                         |
| European Deterrence Initiative (EDI)               | \$0                        | \$0                        | \$0                         |
| Enduring Theater Requirements and Related Missions | <u>\$0</u>                 | <u>\$0</u>                 | <u>\$0</u>                  |
| <b>Overseas Operations Costs Total</b>             | <b>\$124</b>               | <b>\$93</b>                | <b>\$0</b>                  |

\* FY 2022 includes \$124 in OOC Actuals. FY 2023 includes \$93 in OOC enacted budget. FY 2024 includes \$0 for the OOC Estimate.



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

| <b><u>B. Reconciliation Summary</u></b>        | <b><u>Change<br/>FY 2023/FY 2023</u></b> | <b><u>Change<br/>FY 2023/FY 2024</u></b> |
|--|--|--|
| <b>BASELINE FUNDING</b>                        | <b>\$646,072</b>                         | <b>\$656,072</b>                         |
| Congressional Adjustments (Distributed)        | 10,000                                   |  |
| Congressional Adjustments (Undistributed)      | 0  |  |
| Adjustments to Meet Congressional Intent       | 0  |  |
| Congressional Adjustments (General Provisions) | 0  |  |
| <b>SUBTOTAL APPROPRIATED AMOUNT</b>            | <b>656,072</b>                           |  |
| Fact-of-Life Changes (2023 to 2023 Only)       | 0  |  |
| <b>SUBTOTAL BASELINE FUNDING</b>               | <b>656,072</b>                           |  |
| Supplemental                                   | 0  |  |
| Reprogrammings                                 | 0  |  |
| Price Changes                                  |  | 29,791                                   |
| Functional Transfers                           |  | 0  |
| Program Changes                                |  | -17,920                                  |
| <b>CURRENT ESTIMATE</b>                        | <b>656,072</b>                           | <b>667,943</b>                           |
| Less: Supplemental                             | 0  |  |
| <b>NORMALIZED CURRENT ESTIMATE</b>             | <b>\$656,072</b>                         | <b>\$667,943</b>                         |

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

|  |                  |
|--|------------------|
| <b>FY 2023 President's Budget Request (Amended, if applicable)</b> ..... | <b>\$646,072</b> |
| 1. Congressional Adjustments .....                                       | \$10,000         |
| a) Distributed Adjustments .....   | \$10,000         |
| 1) Program decrease unaccounted for .....                                | \$-10,000        |
| 2) Program increase - Defense Contract Audit .....                       | \$20,000         |
| b) Undistributed Adjustments .....                                       | \$0              |
| c) Adjustments to Meet Congressional Intent .....                        | \$0              |
| d) General Provisions .....  | \$0              |
| <b>FY 2023 Appropriated Amount</b> .....                                 | <b>\$656,072</b> |
| 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              |
| <b>FY 2023 Baseline Funding</b> .....                                    | <b>\$656,072</b> |

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

|  |                  |
|--|------------------|
| 4. Reprogrammings (Requiring 1415 Actions) .....                             | \$0              |
| a) Increases .....   | \$0              |
| b) Decreases .....   | \$0              |
| <b>Revised FY 2023 Estimate .....</b>  | <b>\$656,072</b> |
| 5. Less: Item 2, Supplemental Appropriation and Item 4, Reprogrammings ..... | \$0              |
| a) Less: Supplemental Funding .....  | \$0              |
| <b>FY 2023 Normalized Current Estimate .....</b>                             | <b>\$656,072</b> |
| 6. Price Change .....  | \$29,791         |
| 7. Functional Transfers .....  | \$0              |
| a) Transfers In .....  | \$0              |
| b) Transfers Out .....   | \$0              |
| 8. Program Increases .....   | \$2,591          |
| a) Annualization of New FY 2023 Program .....                                | \$0              |
| b) One-Time FY 2024 Increases .....  | \$0              |
| c) Program Growth in FY 2024 .....   | \$2,591          |
| 1) Compensation and Benefits – One Additional Workday .....                  | \$2,089          |

One additional compensable day is included in FY 2024. The number of compensable days for FY 2023 is 260 days (2,080 hours), and for FY 2024 is 261 days (2,088 hours).

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

(FY 2023 Baseline: \$543,220 thousand; 3,727 FTEs)

2) IT Contract Support Services .....\$502  
Increase is due to funding for DoD MS365 Enterprise licensing upgrade to improve Zero Trust (ZT) capabilities.

9. Program Decreases .....\$-20,511

a) Annualization of FY 2023 Program Decreases .....\$0

b) One-Time FY 2023 Increases .....\$-20,000

1) Program increase - Defense Contract Audit.....\$-20,000

c) Program Decreases in FY 2024 .....\$-511

1) Facilities Mission Support.....\$-167  
Decrease is due to a reduction in commercial transportation requirement for office moves and disposal of office equipment. In addition, there has been a reduction in Washington Headquarters Service (WHS) rates for building maintenance.  
(FY 2023 Baseline: \$9,816 thousand)

2) Purchased Communication .....\$-157  
Decrease is due to a continued transition to Voice Over Internet Protocol (VOIP) for day to day activities such as official calls and telephone/video conference calls, while simultaneously reducing the number of active land lines.  
(FY 2023 Baseline: \$12,531 thousand)

3) Personnel Compensation .....\$-187  
Decrease is the result of realigning 1 FTE to Cyber to support DCAA mission cloud cybersecurity network defense.  
(FY 2023 Baseline: \$543,220 thousand; 3,727 FTEs; -1 FTEs)

**FY 2024 Budget Request .....\$667,943**

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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 21<sup>st</sup> 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.

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.

| <b><u>Audit Performance Measures</u></b>      |   | <b><u>FY 2022 Actuals</u></b> | <b><u>FY 2023 Objective</u></b> | <b><u>FY 2024 Objective</u></b> |
|---|---|-------------------------------|---------------------------------|---------------------------------|
| <b><u>Workforce Environment Measures:</u></b> |   |                               |                                 |                                 |
| 1   | Federal Employee Viewpoint Survey – Response Rate   | 69%                           | 75%                             | 75%                             |
| 2   | Federal Employee Viewpoint Survey – Best Places to Work in the Federal Government Ranking | Ranked in upper quartile      | Maintain upper quartile ranking | Maintain upper quartile ranking |
| <b><u>Quality Related Measures:</u></b>       |   |                               |                                 |                                 |
| 3   | DCAA QA Review Results – Audits Performed in Accordance with GAGAS                        | 86.0%                         | Exceed FY 2022 Rate             | Exceed FY 2023 Rate             |
| <b><u>Productivity Measures:</u></b>          |   |                               |                                 |                                 |
| 4   | Forward Pricing Proposal Audits Issued by Original Due Date                               | 89%                           | Maintain/exceed prior year rate | Maintain/exceed prior year rate |
| 5   | Pre-Award Accounting System Audit delivered within 90 days                                | 52 days                       | Maintain prior year rate        | Maintain prior year rate        |
| 6   | Truth in Negotiations Audits Completed  | 83                            | 71                              | 80                              |
| 7   | Business System Audits Completed  | 147                           | 118                             | 125<br>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 who are in the process of negotiating cost-reimbursable contracts may 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 for awarding contracts on time and progress billings. The DCAA uses the 90-day benchmark to measure timeliness in delivering pre-award services.
  
- 6. Truth in Negotiations (TiN) Audits Completed.** In FY 2024 and beyond, the DCAA will continue to 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 2024 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 2022</u> | <u>FY 2023</u> | <u>FY 2024</u> | <u>Change<br/>FY 2022/<br/>FY 2023</u> | <u>Change<br/>FY 2023/<br/>FY 2024</u> |
|---|----------------|----------------|----------------|--|--|
| <b>Civilian End Strength (Total)</b>                    | <b>3,855</b>   | <b>3,965</b>   | <b>3,969</b>   | <b>110</b>                             | <b>4</b>                               |
| U.S. Direct Hire  | 3,690          | 3,759          | 3,764          | 69                                     | 5                                      |
| <b>Total Direct Hire</b>                                | <b>3,690</b>   | <b>3,759</b>   | <b>3,764</b>   | <b>69</b>                              | <b>5</b>                               |
| Reimbursable Civilians                                  | 165            | 206            | 205            | 41                                     | -1                                     |
| <b>Civilian FTEs (Total)</b>                            | <b>3,790</b>   | <b>3,933</b>   | <b>3,931</b>   | <b>143</b>                             | <b>-2</b>                              |
| U.S. Direct Hire  | 3,625          | 3,727          | 3,726          | 102                                    | -1                                     |
| <b>Total Direct Hire</b>                                | <b>3,625</b>   | <b>3,727</b>   | <b>3,726</b>   | <b>102</b>                             | <b>-1</b>                              |
| Reimbursable Civilians                                  | 165            | 206            | 205            | 41                                     | -1                                     |
| <b>Average Annual Civilian Salary (\$ in thousands)</b> | <b>142.7</b>   | <b>145.8</b>   | <b>150.7</b>   | <b>3.1</b>                             | <b>4.9</b>                             |
| <b>Contractor FTEs (Total)</b>                          | <b>134</b>     | <b>118</b>     | <b>124</b>     | <b>-16</b>                             | <b>6</b>                               |

**Personnel Summary Explanations:**

In FY2024, the DCAA will realign 1 FTE to Cyber to support DCAA mission cloud cybersecurity network defense.

Foreign Military Sales - Contract Administration Services (FMS-CAS) accounts for 106 reimbursable FTEs. This work is funded by Defense Security Cooperation Agency (DSCA) and not included in the DCAA's reimbursable authority. The DCAA has reduced their reimbursable authority to reflect the work done on behalf of DSCA.



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

|   | FY 2022<br>Program | Change from FY 2022 to FY 2023 |                   | FY 2023<br>Program | Change from FY 2023 to FY 2024 |                   | FY 2024<br>Program |
|---|--------------------|--------------------------------|-------------------|--------------------|--------------------------------|-------------------|--------------------|
|   |                    | Price<br>Growth                | Program<br>Growth |                    | Price<br>Growth                | Program<br>Growth |                    |
| 101 EXEC, GEN'L & SPEC SCHEDS                         | 513,834            | 21,221                         | 3,303             | 538,358            | 27,069                         | -8,978            | 556,449            |
| 111 DISABILITY COMPENSATION                           | 1,839              | 76                             | 1,328             | 3,243              | 163                            | -98               | 3,308              |
| 121 PCS BENEFITS                                      | 1,452              | 60                             | 107               | 1,619              | 81                             | -33               | 1,667              |
| <b>0199 TOTAL CIVILIAN PERSONNEL COMPENSATION</b>     | <b>517,125</b>     | <b>21,357</b>                  | <b>4,738</b>      | <b>543,220</b>     | <b>27,313</b>                  | <b>-9,109</b>     | <b>561,424</b>     |
| 308 TRAVEL OF PERSONS                                 | 2,205              | 46                             | 9,296             | 11,547             | 254                            | 28                | 11,829             |
| <b>0399 TOTAL TRAVEL</b>                              | <b>2,205</b>       | <b>46</b>                      | <b>9,296</b>      | <b>11,547</b>      | <b>254</b>                     | <b>28</b>         | <b>11,829</b>      |
| 680 BUILDING MAINT FUND PURCH                         | 1,518              | 21                             | 155               | 1,694              | 110                            | -461              | 1,343              |
| 696 DFAS FINANCIAL OPERATION (OTHER DEFENSE AGENCIES) | 5,093              | 279                            | -235              | 5,137              | 39                             | 63                | 5,239              |
| <b>0699 TOTAL OTHER FUND PURCHASES</b>                | <b>6,611</b>       | <b>300</b>                     | <b>-80</b>        | <b>6,831</b>       | <b>149</b>                     | <b>-398</b>       | <b>6,582</b>       |
| 771 COMMERCIAL TRANSPORT                              | 973                | 20                             | 835               | 1,828              | 37                             | -58               | 1,807              |
| <b>0799 TOTAL TRANSPORTATION</b>                      | <b>973</b>         | <b>20</b>                      | <b>835</b>        | <b>1,828</b>       | <b>37</b>                      | <b>-58</b>        | <b>1,807</b>       |
| 912 RENTAL PAYMENTS TO GSA (SLUC)                     | 12,239             | 257                            | 652               | 13,148             | 289                            | 296               | 13,733             |
| 913 PURCHASED UTILITIES (NON-FUND)                    | 131                | 3                              | 35                | 169                | 4                              | 16                | 189                |
| 914 PURCHASED COMMUNICATIONS (NON-FUND)               | 11,014             | 231                            | 1,286             | 12,531             | 276                            | -568              | 12,239             |
| 915 RENTS (NON-GSA)                                   | 712                | 15                             | 75                | 802                | 18                             | 6                 | 826                |
| 917 POSTAL SERVICES (U.S.P.S)                         | 154                | 3                              | 24                | 181                | 4                              | 10                | 195                |
| 920 SUPPLIES & MATERIALS (NON-FUND)                   | 970                | 20                             | 54                | 1,044              | 23                             | 13                | 1,080              |
| 921 PRINTING & REPRODUCTION                           | 6                  | 0                              | 7                 | 13                 | 0                              |                   | 13                 |
| 922 EQUIPMENT MAINTENANCE BY CONTRACT                 | 24                 | 1                              | -19               | 6                  | 0                              | 16                | 22                 |
| 923 FACILITIES SUST, REST, & MOD BY CONTRACT          | 1,801              | 38                             | 680               | 2,519              | 55                             | -142              | 2,432              |
| 925 EQUIPMENT PURCHASES (NON-FUND)                    | 6,123              | 129                            | 23                | 6,275              | 138                            |                   | 6,413              |
| 960 OTHER COSTS (INTEREST AND DIVIDENDS)              | 0                  | 0                              | 1                 | 1                  | 0                              |                   | 1                  |
| 986 MEDICAL CARE CONTRACTS                            | 3                  | 0                              | -3                | 0                  | 0                              | 0                 | 0                  |
| 987 OTHER INTRA-GOVT PURCH                            | 10,775             | 226                            | 9,754             | 20,755             | 457                            | -8,532            | 12,680             |
| 989 OTHER SERVICES                                    | 11,078             | 233                            | 782               | 12,093             | 266                            |                   | 12,359             |
| 990 IT CONTRACT SUPPORT SERVICES                      | 21,172             | 445                            | 1,492             | 23,109             | 508                            | 502               | 24,119             |

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

|                            | FY 2022<br><u>Program</u> | <u>Change from FY 2022 to FY 2023</u> |                           | FY 2023<br><u>Program</u> | <u>Change from FY 2023 to FY 2024</u> |                           | FY 2024<br><u>Program</u> |
|----------------------------|---------------------------|---------------------------------------|---------------------------|---------------------------|---------------------------------------|---------------------------|---------------------------|
|                            |                           | <u>Price<br/>Growth</u>               | <u>Program<br/>Growth</u> |                           | <u>Price<br/>Growth</u>               | <u>Program<br/>Growth</u> |                           |
| 0999 TOTAL OTHER PURCHASES | 76,202                    | 1,601                                 | 14,843                    | 92,646                    | 2,038                                 | -8,383                    | 86,301                    |
| 9999 GRAND TOTAL           | 603,116                   | 23,324                                | 29,632                    | 656,072                   | 29,791                                | -17,920                   | 667,943                   |