

**Defense Contract Audit Agency
Operation Enduring Freedom
Operation and Maintenance, Defense-Wide
Budget Activity 04: Administrative and Service-Wide Activities**

I. Description of Operations Financed: The Defense Contract Audit Agency (DCAA) is responsible for providing audit services and financial advice to all Department of Defense (DoD) acquisition officials involved in Operation ENDURING FREEDOM (OEF) and reconstruction in Iraq. DCAA assists these officials in achieving fair and reasonable contract prices and assuring compliance with contractual terms and conditions by 1) responding to requests from acquisition officials for specific services across the entire spectrum of contract financial and business matters, and 2) fulfilling the recurring audit work required to monitor cost performance and approve contract payments. DCAA's workload originates primarily from the effort required to audit and monitor DoD and civilian agency (USAID and State Department) acquisitions of equipment, materials, and/or services. Congressional interest in the costs charged to Iraq and Afghanistan-related contracts, and requests for contract audit support from the Defense Procurement Fraud Unit and U.S. attorneys during the conduct of investigations and prosecution of perpetrators of contract fraud also impact DCAA's workload.

There are few audit matters within DCAA more sensitive and significant than the support provided to the OEF and Iraq-related contracts. The Agency has established priorities to ensure audit support in Iraq, Kuwait, Afghanistan and related field offices is timely, comprehensively accomplished and promptly reported to its customers. The DCAA audits of cost-reimbursable contracts represent a continuous effort from evaluation of proposed prices to final closeout and payment. DCAA performs initial audits of contractor business system internal controls and testing of contract costs to provide a basis for provisional approval of contractor interim payments and early detection of deficiencies. DCAA also performs comprehensive contract cost audits throughout the life of the contract; and the contracting activity uses the audits to adjust provisionally approved interim payments and ultimately to negotiate final payment to the contractor. The audit and financial advisory services provided in support of OEF and reconstruction in Iraq will be subject to the same performance measurement as other DCAA audit activities.

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II. Force Structure Summary (cont.)

II. Force Structure Summary:

N/A

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III. Financial Summary (\$ in thousands):

| CBS No. | CBS Title | FY 2013 <u>Actual</u> | FY 2014 <u>Estimate</u> | <u>Delta</u> | FY 2015 <u>Estimate</u> |
|------------------|--------------------|--------------------------|----------------------------|-----------------|----------------------------|
| OEF | | | | | |
| 1.0 | Personnel | \$11,130 | \$12,076 | \$-3,237 | \$8,839 |
| 2.0 | Personnel Support | \$739 | \$858 | \$-208 | \$650 |
| 3.0 | Operating Support | \$74 | \$95 | \$12 | \$107 |
| | OEF Total | \$11,943 | \$13,029 | \$-3,433 | \$9,596 |
| Other | | | | | |
| 1.0 | Personnel | \$15,369 | \$13,180 | \$-974 | \$12,206 |
| 2.0 | Personnel Support | \$1,021 | \$1,287 | \$-390 | \$897 |
| 3.0 | Operating Support | \$104 | \$285 | \$-137 | \$148 |
| | Other Total | \$16,494 | \$14,752 | \$-1,501 | \$13,251 |
| | Grand Total | \$28,437 | \$27,781 | \$-4,934 | \$22,847 |

FTEs: FY 2013 192; FY 2014 181; FY 2015 148.

Significant change between FY 2014 and FY 2015 is attributed to reduced staffing in Southwest Asia, along with a reduced need for audit effort in CONUS. DCAA performs audits throughout the life of the contract and will continue to conduct OCONUS contract work in support of the 9,800 military personnel in Afghanistan. The work will include direct cost testing, and accounting and billing system oversight at high risk OCO contractors with on-going contracts. In addition, DCAA is performing incurred cost audits, primarily in CONUS, to allow contracting officers to close completed contracts.

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III. Financial Summary (\$ in thousands):

| <u>OEF</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>Delta</u> | <u>FY 2015</u> |
|-----------------------------|----------------|-----------------|--------------|-----------------|
| | <u>Actual</u> | <u>Estimate</u> | | <u>Estimate</u> |
| 1. CBS Category/Subcategory | | | | |
| 1.0 Personnel | \$11,130 | \$12,076 | \$-3,237 | \$8,839 |
| Total | \$11,130 | \$12,076 | \$-3,237 | \$8,839 |

A. Narrative Justification: Funds are required for personnel performing contract audit work in Afghanistan and in CONUS. Audits occur at many stages of the contracting processing, beginning with evaluation of proposed prices and ending with final closeout and payment. Work will continue in CONUS after completion of audit performance until the contracts are closed. The funding is needed to perform these important audits in a timely manner.

B. Explanation of Changes between FY 2014 and FY 2015: Changes between years FY 2014 and FY 2015 are predominately the result of decreased workyears required both in country contracts as the military presence decreases in country and in CONUS to ensure audit support to OEF related.

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III. Financial Summary (\$ in thousands):

| <u>Other</u> | <u>FY 2013</u> | <u>FY 2014</u> | | <u>FY 2015</u> |
|-----------------------------|----------------|-----------------|--------------|-----------------|
| | <u>Actual</u> | <u>Estimate</u> | <u>Delta</u> | <u>Estimate</u> |
| 2. CBS Category/Subcategory | | | | |
| 1.0 Personnel | \$15,369 | \$13,180 | \$-974 | \$12,206 |
| Total | \$15,369 | \$13,180 | \$-974 | \$12,206 |

A. Narrative Justification: Funds are required for personnel performing contract audit work in Iraq/Kuwait and in CONUS. Audits occur at many stages of the contracting processing, beginning with evaluation of proposed prices and ending with final closeout and payment. Work will continue in CONUS after completion of audit performance until the contracts are closed. The funding is needed to perform these important audits in a timely manner.

B. Explanation of Changes between FY 2014 and FY 2015: Changes between years FY 2014 and FY 2015 are the result of decreased workyears needed to ensure audit support to OND related contracts. The FY 2015 Cost of War request provides for a continuing shift in audit effort away from supporting new contract awards for Iraq to auditing costs incurred by contractors during contract performance and completing the audits required to close contracts.

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III. Financial Summary (\$ in thousands):

| <u>OEF</u> | <u>FY 2013</u> <u>Actual</u> | <u>FY 2014</u> <u>Estimate</u> | <u>Delta</u> | <u>FY 2015</u> <u>Estimate</u> |
|-----------------------------|---------------------------------|-----------------------------------|--------------|-----------------------------------|
| 3. CBS Category/Subcategory | | | | |
| 2.0 Personnel Support | \$739 | \$858 | \$-208 | \$650 |
| Total | \$739 | \$858 | \$-208 | \$650 |

A. Narrative Justification: Personnel are assigned on a temporary duty basis to locations within Afghanistan. Funds are required for travel to be responsive to customer's needs and to accomplish the audit mission.

B. Explanation of Changes between FY 2014 and FY 2015: Changes between years FY 2014 and FY 2015 are the result of decreased travel requirements based on reduction in estimated staffing levels for Afghanistan.

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III. Financial Summary (\$ in thousands):

| <u>Other</u> | FY 2013 | FY 2014 | | FY 2015 |
|-----------------------------|---------------|-----------------|--------------|-----------------|
| | <u>Actual</u> | <u>Estimate</u> | <u>Delta</u> | <u>Estimate</u> |
| 4. CBS Category/Subcategory | | | | |
| 2.0 Personnel Support | \$1,021 | \$1,287 | \$-390 | \$897 |
| Total | \$1,021 | \$1,287 | \$-390 | \$897 |

A. Narrative Justification: Personnel are assigned on a temporary duty basis to locations within Iraq and Kuwait. Funds are required for travel to be responsive to customer's needs and to accomplish the audit mission.

B. Explanation of Changes between FY 2014 and FY 2015: Changes between years FY 2014 and FY 2015 are the result of decreased travel requirements based on reduced estimated staffing levels for Iraq and Kuwait.

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III. Financial Summary (\$ in thousands):

| <u>OEF</u> | <u>FY 2013</u> | <u>FY 2014</u> | <u>Delta</u> | <u>FY 2015</u> |
|-----------------------------|----------------|-----------------|--------------|-----------------|
| | <u>Actual</u> | <u>Estimate</u> | | <u>Estimate</u> |
| 5. CBS Category/Subcategory | | | | |
| 3.0 Operating Support | \$74 | \$95 | \$12 | \$107 |
| Total | \$74 | \$95 | \$12 | \$107 |

A. Narrative Justification: The DCAA has an agreement with the Department of State for support services that include security, health services, general supplies and telephone. In addition, DCAA maintains leased vehicles. These services are crucial to the successful completion of audits in an unstable environment in Afghanistan and to the general well-being of the personnel assigned there.

B. Explanation of Changes between FY 2014 and FY 2015: Changes between years FY 2014 and FY 2015 are the result of increased Department of State support service agreement estimates for Afghanistan.

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III. Financial Summary (\$ in thousands):

| <u>Other</u> | <u>FY 2013</u> <u>Actual</u> | <u>FY 2014</u> <u>Estimate</u> | <u>Delta</u> | <u>FY 2015</u> <u>Estimate</u> |
|-----------------------------|---------------------------------|-----------------------------------|--------------|-----------------------------------|
| 6. CBS Category/Subcategory | | | | |
| 3.0 Operating Support | \$104 | \$285 | \$-137 | \$148 |
| Total | \$104 | \$285 | \$-137 | \$148 |

A. Narrative Justification: The DCAA has an agreement with the Department of State for support services that include security, health services, general supplies and telephone. In addition, DCAA maintains leased vehicles. These services are crucial to the successful completion of audits in an unstable environment in Iraq and to the general well-being of the personnel assigned there.

B. Explanation of Changes between FY 2014 and FY 2015: Changes between years FY 2014 and FY 2015 are the result of reduced support service agreement estimates for Iraq.

| | <u>FY 2013</u> <u>Actual</u> | <u>FY 2014</u> <u>Estimate</u> | <u>Delta</u> | <u>FY 2015</u> <u>Estimate</u> |
|--------------|---------------------------------|-----------------------------------|-----------------|-----------------------------------|
| Total | \$28,437 | \$27,781 | \$-4,934 | \$22,847 |

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IV. Performance Criteria:

N/A

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

| <u>OP 32 Line</u> | FY 2013 <u>Actual</u> | Change <u>FY 2013/FY 2014</u> | | FY 2014 <u>Estimate</u> | Change <u>FY 2014/FY 2015</u> | | FY 2015 <u>Estimate</u> |
|---|--------------------------|----------------------------------|----------------|----------------------------|----------------------------------|----------------|----------------------------|
| | | <u>Price</u> | <u>Program</u> | | <u>Price</u> | <u>Program</u> | |
| 101 Exec, Gen'l & Spec Scheds | 26,499 | 199 | -1,140 | 25,558 | 256 | -4,769 | 21,045 |
| 199 Total Civ Compensation | 26,499 | 199 | -1,140 | 25,558 | 256 | -4,769 | 21,045 |
| 308 Travel of Persons | 1,760 | 33 | 107 | 1,900 | 34 | -387 | 1,547 |
| 399 Total Travel | 1,760 | 33 | 107 | 1,900 | 34 | -387 | 1,547 |
| 914 Purchased Communications (Non-Fund) | 27 | 1 | -25 | 3 | 0 | 17 | 20 |
| 920 Supplies & Materials (Non-Fund) | 37 | 1 | 54 | 92 | 2 | -54 | 40 |
| 987 Other Intra-Govt Purch | 114 | 2 | 112 | 228 | 4 | -37 | 195 |
| 999 Total Other Purchases | 178 | 4 | 141 | 323 | 6 | -74 | 255 |
| Total | 28,437 | 236 | -892 | 27,781 | 296 | -5,230 | 22,847 |