

Defense Contract Audit Agency
Operation Enduring Freedom and Operation New Dawn
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 OEF/OND military operations and reconstruction in Iraq and Afghanistan. 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/OND-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 OEF/OND and Iraqi reconstruction contracts have significantly increased the Agency's auditable dollar base, as well as data requests and support workload for the auditors, supervisors, managers, and headquarters personnel. 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 preliminary 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

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

provisionally approved interim payments and ultimately to negotiate final payment to the contractor. The audit and financial advisory services provided in support of OEF/OND military operations and reconstruction in Iraq and Afghanistan will be subject to the same performance measurement as all other DCAA audit activities.

II. Financial Summary (\$ in Thousand)

CBS No.	CBS Title	FY 2011 Actual	FY 2012 Total	Delta	FY 2013 Total
OEF					
1.0	Personnel	\$12,349	\$7,436	\$5,455	\$12,891
2.0	Personnel Support	707	\$336	\$474	\$810
3.0	Operating Support	\$42	\$338	(\$198)	\$140
	Sub-Total	\$13,098	\$8,110	\$5,731	\$13,841
OND (FY 2010 was OIF.)					
1.0	Personnel	\$16,435	\$14,226	\$915	\$15,141
2.0	Personnel Support	\$1,993	\$913	\$518	\$1,431
3.0	Operating Support	\$239	\$229	\$32	\$261
	Sub-Total	\$18,667	\$15,368	\$1,465	\$16,833
	SAG Total	\$31,765	\$23,478	\$7,196	\$30,674
	Workyears	206	153	39	192

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

Significant changes between FY 2012 and FY 2013 is attributed to the following:

OCONUS

Increase of 16 workyears in OCONUS is related to additional audit teams in Southwest Asia beyond the number included in the FY 2012 estimate. Work being accomplished includes transitioning of LOGCAP IV contractor, KBR, from DoD to DoS (Iraq); providing audit support to the NATO Training Mission-Afghanistan/Combined Security Transition Command (Afghanistan); providing audit coverage for the effort under LOGCAP IV for South Kandahar Air Field and Forward Operating Base Leatherneck, and providing audit coverage for conducting operations audits in Bagram and Kandahar (Afghanistan). Also the work in Kuwait is taking longer than originally planned due to the complexity of the work and changes to the venues that DCAA will be covering, i.e. Bahrain and Qatar. Work in these Middle East countries support operations in Iraq and Afghanistan.

CONUS

Increase of 23 workyears is the result of performance of direct cost testing, accounting and billing systems and forward pricing assignments at high risk OCO contractors such as MEP and Fluor. In addition, as a result of increased risk and the need to perform the following types of audits at OCO contractors - primarily KBR, DynCorp, AECOM, CH2M Hill and ITT:

Incurring cost audits through 2007;
Accounting & Billing Systems Audits;
Direct Cost Testing;
CAS Audits (Disclosure Statements and cost impacts);
Fraud referrals and related investigative support activities.

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

	FY 2011	FY 2012	Delta	FY 2013
	Actual	Total		Total
A. <u>Subactivity Group</u>				
OEF				
1. Cost Breakdown Structure (CBS)	\$12,349	\$7,436	\$5,455	\$12,891
Category/Subcategory 1.0 Personnel				

- 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 Commission on Wartime Contracting issued a special report in September 2009 that stressed the importance of audits of contractor business systems, including follow-up and resolution. The Commission's final report issued in August 2011 also stated that agencies, including DCAA, lack sufficient staff and resources to enable adequate management of all aspects of contingency contracting, including business systems reviews and incurred cost audits. The funding is needed to perform these important audits in a timely manner.
- b. Explanation of Change Between FY 2012 and FY 2013:** Changes between years FY 2012 and FY 2013 are predominately the result of increased workyears required both in country and CONUS to ensure audit support to OEF related contracts.

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

OND (FY2010 was OIF)

2. Cost Breakdown Structure (CBS)	\$16,435	\$14,226	\$915	\$15,141
Category/Subcategory 1.0 Personnel				

- 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 Commission on Wartime Contracting issued a special report in September 2009 that stressed the importance of audits of contractor business systems, including follow-up and resolution. The Commission's final report issued in August 2011 also stated that agencies, including DCAA, lack sufficient staff and resources to enable adequate management of all aspects of contingency contracting, including business systems reviews and incurred cost audits. The funding is needed to perform these important audits in a timely manner.
- b. Explanation of Change Between FY 2012 and FY 2013:** Changes between years FY 2012 and FY 2013 are the result of pay raise and increased workyears to ensure audit support to OND related contracts. The FY 2013 Cost of War request provides for a continuing shift in audit effort from supporting new contract awards for Iraq to auditing costs incurred by contractors during contract performance and completing the audits required to close contracts.

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

OEF

	FY 2011	FY 2012	Delta	FY 2013
	Actual	Total		Total
3. CBS Category/Subcategory 2.0 Personnel Support	\$707	\$336	\$474	\$810

- 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 mission.
- b. Explanation of Change Between FY 2012 and FY 2013:** Changes between years FY 2012 and FY 2013 are the result of travel requirements based on estimated staffing levels for Afghanistan.

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

OND (FY2010 was OIF)

	FY 2011	FY 2012	Delta	FY 2013
	Actual	Total		Total
4. CBS Category/Subcategory 2.0 Personnel Support	\$1,993	\$913	\$518	\$1,431

- 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 mission.
- b. Explanation of Change Between FY 2012 and FY 2013:** Changes between years FY 2012 and FY 2013 are the result of travel requirements based on estimated staffing levels for Iraq/Kuwait.

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

OEF

	FY 2011	FY 2012	Delta	FY 2013
	Actual	Total		Total
5. CBS Category/Subcategory 3.0 Operating Support	\$42	\$338	(\$198)	\$140

- 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 Change Between FY 2012 and FY 2013:** Changes between years FY 2012 and FY 2013 are the result of reduced support service agreement estimates for Afghanistan.

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

OND (FY2010 was OIF)

	FY 2011 Actual	FY 2012 Total	Delta	FY 2013 Total
6. CBS Category/Subcategory 3.0 Operating Support	\$239	\$229	\$32	\$261

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 Change Between FY 2012 and FY 2013: Changes between years FY 2012 and FY 2013 are the result of increased support service agreement estimates for Iraq.

	FY 2011 Actual	FY 2012 Total	Delta	FY 2013 Total
Total	\$31,765	\$23,478	\$7,196	\$30,674

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

OP 32 Line items as Applicable (Dollars in thousands):

OP 32 Line	FY 2011 Actuals	Change		FY 2012 Estimate	Change		FY 2013 Estimate
		FY 2011 Price Growth	FY 2011 to FY 2012 Program Growth		FY 2012 Price Growth	FY 2012 to FY 2013 Program Growth	
101 Executive, General & Special Schedules	28,767	-	(7,216)	21,551	-	6,308	27,859
121 Perm Change Of Station	18	-	93	111	-	62	173
199 Total Civilian Personnel	28,785	-	(7,123)	21,662	-	6,370	28,032
308 Travel of Persons	2,699	14	(1,464)	1,249	21	971	2,241
399 Total Travel	2,699	14	(1,464)	1,249	21	971	2,241
771 Commercial Transportation	1	-	(1)	-	-	-	-
799 Total Transportation	1	-	(1)	-	-	-	-
914 Purchased Communications (Non-Fund)	33	-	85	118	-	(84)	34
920 Supplies & Materials (Non- Fund)	56	3	41	100	2	18	120
922 Equipment Maintenance by Contract	0	-	(9)	-	-	-	-
987 Other Intra-Government Purchases	191	9	149	349	5	(107)	247
999 Total Other Purchases	280	12	275	567	7	(173)	401
9999 Total	31,765	26	(8,313)	23,478	28	7,168	30,674