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# Defense Contract Audit Agency

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Financial  
Statements and  
Independent  
Auditor's Report

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For the Years Ended  
September 30, 2024, and  
2023

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**INDEPENDENT AUDITOR’S REPORT**

**TO THE DIRECTOR  
DEFENSE CONTRACT AUDIT AGENCY**

In our audits of the fiscal years 2024 and 2023 financial statements of the Defense Contract Audit Agency (DCAA), we found

- DCAA’s financial statements as of and for the fiscal years ended September 30, 2024, and 2023, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed;<sup>1</sup> and
- no reportable noncompliance for fiscal year 2024 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI)<sup>2</sup> and other information included with the financial statements; (2) our report on internal control over financial reporting; and (3) our report on compliance with laws, regulations, contracts, and grant agreements.

**Report on the Financial Statements**

Opinion

In accordance with standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*, we have audited DCAA’s financial statements. DCAA’s financial statements comprise the balance sheets as of September 30, 2024, and 2023; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements. In our opinion, DCAA’s financial statements present fairly, in all material respects, DCAA’s financial position as of September 30, 2024, and 2023, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

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<sup>1</sup>A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

<sup>2</sup>The RSI consists of the Management’s Discussion and Analysis and the Combined Statement of Budgetary Resources, which are included with the financial statements.

### Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of DCAA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for

- the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles;
- preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles;
- preparing and presenting other information included in DCAA's agency financial report, and ensuring the consistency of that information with the audited financial statements and the RSI; and
- designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements conducted in accordance with U.S. generally accepted government auditing standards will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. generally accepted government auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of DCAA's internal control over financial reporting. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the financial statement audit.

#### Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by OMB Circular A-136 (Revised), Financial Reporting Requirements, DoD Regulation 7000.14-R, "Financial Management Regulation," volume 6b, "Form and Content of the Department of Defense Audited Financial Statements," and FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context.

We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards. These procedures consisted of (1) inquiring of management about the methods used to prepare the RSI and (2) comparing the RSI for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

#### Other Information

DCAA's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in DCAA's agency financial report. The other information comprises the information included in the agency's financial report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report

#### **Report on Internal Control over Financial Reporting**

In connection with our audits of DCAA's financial statements, we considered DCAA's internal control over financial reporting, consistent with our auditor's responsibilities discussed below.

### Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies<sup>3</sup> or to express an opinion on the effectiveness of DCAA's internal control over financial reporting. Given these limitations, during our 2024 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

### Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to DCAA's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget audit guidance.

### Responsibilities of Management for Internal Control over Financial Reporting

DCAA management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of DCAA's financial statements as of and for the fiscal year ended September 30, 2024, in accordance with U.S. generally accepted government auditing standards, we considered DCAA's internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of DCAA's internal control over financial reporting. Accordingly, we do not express an opinion on DCAA's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, as broadly defined in the Federal Managers' Financial Integrity Act of 1982 (FMFIA), such as those controls relevant to preparing performance information and ensuring efficient operations.

### Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel. The objectives of internal control over financial reporting are to provide reasonable assurance that

- transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and
- transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

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<sup>3</sup>A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of DCAA's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of DCAA's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

### **Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements**

In connection with our audits of DCAA's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

### Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2024 that would be reportable under U.S. generally accepted government auditing standards. In addition, our tests of compliance with the FFMIA Section 803(a) requirements disclosed no instances in which DCAA's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to DCAA. Accordingly, we do not express such an opinion.

### Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

### Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

DCAA management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to DCAA.

### Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to DCAA that have a direct effect on the determination of material amounts and disclosures in DCAA's financial statements, including whether DCAA's financial management systems comply substantially with the FFMIA Section 803(a) requirements, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to DCAA. We caution that noncompliance may occur and not be detected by these tests.

### Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards

in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

*Davisξ Associates*

Columbia, Maryland  
October 31, 2024



## PRINCIPAL FINANCIAL STATEMENTS

**Department of Defense**  
**Defense Contract Audit Agency - Defense Contract Audit Agency**  
**CONSOLIDATED BALANCE SHEET**  
**As of September 30, 2024 and 2023**  
**(\$ in Thousands)**

	<u>2024 Consolidated</u>	<u>2023 Consolidated</u>
<b>Intragovernmental:</b>		
Fund Balance with Treasury (Note 3)	\$ 96,059	\$ 102,688
Accounts Receivable, Net (Note 6)	6,859	3,897
Other Assets (Note 10)	529	0
<b>Total Intragovernmental</b>	<u>103,447</u>	<u>106,585</u>
<b>Other Than Intragovernmental:</b>		
Accounts Receivable, Net (Note 6)	34	48
General and Right-to-Use Property, Plant, and Equipment, Net (Note 9)	2,851	0
Advances and Prepayments (Note 10)	31	40
<b>Total Other Than Intragovernmental</b>	<u>2,916</u>	<u>88</u>
<b>Total Assets</b>	<u>106,363</u>	<u>106,673</u>
<b>Stewardship PP&amp;E (Note 9)</b>		
<b>Liabilities (Note 11)</b>		
<b>Intragovernmental:</b>		
Accounts Payable	1,633	1,385
Other Liabilities (Notes 13 and 15)	6,803	6,370
<b>Total Intragovernmental</b>	<u>8,436</u>	<u>7,755</u>
<b>Other Than Intragovernmental:</b>		
Accounts Payable	2,955	519
Federal Employee Salary, Leave, and Benefits Payable (Note 13)	52,529	50,627
Pensions, Other Post-employment, and Veterans Benefits Payable (Note 13)	21,752	22,396
<b>Total Other Than Intragovernmental</b>	<u>77,236</u>	<u>73,542</u>
<b>Total Liabilities</b>	<u>85,672</u>	<u>81,297</u>
<b>Commitments and Contingencies (Note 17)</b>		
<b>Net Position:</b>		
Unexpended Appropriations - Funds Other than Dedicated Collections	86,080	92,402
<b>Total Unexpended Appropriations (Consolidated)</b>	86,080	92,402
Cumulative Results of Operations - Funds Other than Dedicated Collections	(65,389)	(67,026)
<b>Total Cumulative Results of Operations (Consolidated)</b>	<u>(65,389)</u>	<u>(67,026)</u>
<b>Total Net Position</b>	<u>20,691</u>	<u>25,376</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 106,363</u>	<u>\$ 106,673</u>

The accompanying notes to the financial statements are an integral part of this statement

**Department of Defense**  
**Defense Contract Audit Agency - Defense Contract Audit Agency**  
**CONSOLIDATED STATEMENT OF NET COST**  
**For the periods ended September 30, 2024 and 2023**  
**(\$ in Thousands)**

	2024 Consolidated	2023 Consolidated
<b>Program Costs (Note 19)</b>		
Gross Costs	\$ 741,913	\$ 709,951
(Less: Earned Revenue)	(26,683)	(28,510)
Net Program Costs before Losses/(Gains) from Actuarial Assumption	715,230	681,441
Changes for Military Retirement Benefits		
Net Program Costs Including Assumption Changes	715,230	681,441
<b>Net Cost of Operations</b>	<b>\$ 715,230</b>	<b>\$ 681,441</b>

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The accompanying notes to the financial statements are an integral part of this statement

**Department of Defense**  
**Defense Contract Audit Agency - Defense Contract Audit Agency**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION**  
**For the periods ended September 30, 2024 and 2023**

(\$ in Thousands)

	<u>2024 Consolidated</u>	<u>2023 Consolidated</u>
<b>UNEXPENDED APPROPRIATIONS</b>		
Beginning Balances (Includes Funds from Dedicated Collections - See Note 18)	\$ 92,402	\$ 73,692
Prior Period Adjustments:		
Beginning Balances, as adjusted	92,402	73,692
Appropriations received	664,240	651,218
Other adjustments (+/-)	(6,377)	(1,996)
Appropriations used	(664,185)	(630,512)
Net Change in Unexpended Appropriations (Includes Funds from Dedicated Collections - See Note 18)	(6,322)	18,710
<b>Total Unexpended Appropriations, Ending Balance (Includes Funds from Dedicated Collections - See Note 18)</b>	<b>86,080</b>	<b>92,402</b>
Beginning Balances	(67,026)	(59,968)
Prior Period Adjustments:		
Beginning Balances, as adjusted (Includes Funds from Dedicated Collections - See Note 18)	(67,026)	(59,968)
Appropriations used	664,185	630,512
Imputed financing	52,682	43,872
Other	0	(1)
Net Cost of Operations (+/-) (Includes Funds from Dedicated Collections - See Note 18)	715,230	681,441
Net Change in Cumulative Results of Operations	1,637	(7,058)
<b>Cumulative Results of Operations, Ending (Includes Funds from Dedicated Collections - See Note 18)</b>	<b>(65,389)</b>	<b>(67,026)</b>
<b>Net Position</b>	<b>\$ 20,691</b>	<b>\$ 25,376</b>

The accompanying notes to the financial statements are an integral part of this statement

**Department of Defense**  
**Defense Contract Audit Agency - Defense Contract Audit Agency**  
**COMBINED STATEMENT OF BUDGETARY RESOURCES**  
**For the periods ended September 30, 2024 and 2023**  
**(\$ in Thousands)**

	<u>2024 Combined</u>	<u>2023 Combined</u>
<b>Budgetary Resources:</b>		
Unobligated balance from prior year budget authority, net (discretionary and mandatory) (Note 21)	\$ 50,168	\$ 44,402
Appropriations (discretionary and mandatory)	664,240	651,218
Spending Authority from offsetting collections (discretionary and mandatory)	26,910	28,605
<b>Total Budgetary Resources</b>	<u>741,318</u>	<u>724,225</u>
<b>Status of Budgetary Resources:</b>		
New obligations and upward adjustments (total)	724,862	707,757
Unobligated balance, end of year:		
Apportioned, unexpired accounts	5,773	6,178
Unexpired unobligated balance, end of year	5,773	6,178
Expired unobligated balance, end of year	10,683	10,290
Unobligated balance, end of year (total)	<u>16,456</u>	<u>16,468</u>
<b>Total Budgetary Resources</b>	<u>741,318</u>	<u>724,225</u>
<b>Outlays, Net:</b>		
Outlays, net (total) (discretionary and mandatory)	664,492	624,885
<b>Agency Outlays, net (discretionary and mandatory)</b>	<u>\$ 664,492</u>	<u>\$ 624,885</u>

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The accompanying notes to the financial statements are an integral part of this statement

## NOTES TO THE PRINCIPAL FINANCIAL STATEMENTS

### NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

#### 1.A. Reporting Entity

The Defense Contract Audit Agency (DCAA) is an agency of the U.S. Department of Defense (DoD).

#### *Organization and Structure of DCAA*

DCAA is organized into four major components – The Director’s Office, Four Regions including Field Detachments, Four Corporate Audit Directorates, and the Headquarters:

- The Director’s Office
- Regions:
  - Eastern Region
  - Central Region
  - Western Region
  - Field Detachment
- Corporate Audit Directorates:
  - Northrup Grumman
  - Boeing and Honeywell
  - Raytheon, General Dynamics, and BAE Systems
  - Lockheed Martin
- Headquarters:
  - Fort Belvoir, Virginia

The Headquarters houses the offices of the Director; Deputy Director; General Counsel; Chief of Staff; Inspector General; and the following Assistant Directors:

- Operations
- Human Capital & Resource Management
- Policy and Plans
- Integrity and Quality Assurance

The staff is responsible for the overall management of DCAA’s operations, development, and implementation of policy and the allocation, management, and accounting for the Agency’s resources. The Field Detachment is responsible for audits of contracts related to sensitive compartmentalized information and special access programs. Each Regional Office and the Field Detachment houses a Regional Director; Deputy Regional Director; Regional Audit Managers; Regional Special Programs Manager; and Regional Resources Manager. The Regions direct and administer the audit mission for the particular geographic region. The region manages the personnel and other resources assigned there.

**1.B. Mission of the Reporting Entity**

Together with acquisition partners, DCAA increases warfighter capabilities by delivering high-quality audits and financial services to achieve fair and reasonable prices that protect taxpayer dollars. Before the establishment of DCAA, various branches of the U.S. Military had their own audit functions. There was recognition of the need for uniformity. Created in 1965 by the Secretary of Defense Robert S. McNamara, DCAA was established to provide standardized contract audit services as well as accounting and financial advisory services to DoD contracting officers and other customers. DCAA's primary customers are contracting officers in the Military Services.

**1.C. Basis of Presentation**

OMB financial statement reporting guidelines require the presentation of comparative financial statements for all of the principal financial statements. DCAA has presented comparative FY 2024 financial statements for the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources. Throughout the financial statements and notes, certain assets, liabilities, earned revenue, and costs have been classified as intragovernmental.

**1.D. Classified Information**

DCAA's systems and procedures are designed to prevent the disclosure of classified information.

**1.E. Basis of Accounting**

The financial statements have been prepared to report the financial position, net cost, changes in net position, and budgetary resources as required by the Chief Financial Officers Act of 1990, expanded by the Government Management Reform Act of 1994, and other applicable legislation. These financial statements have been prepared from the books and records of DCAA in accordance with generally accepted accounting principles (GAAP) and Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*. GAAP for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is the official standard-setting body for the Federal Government.

The accounting structure of Federal agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned, and expenses are recognized when incurred without regard to receipt or payment of cash. The budgetary accounting principles are designed to recognize the obligation of funds according to legal requirements, which in many cases, is prior to the occurrence of an accrual-based transaction. Transactions are recorded using financial (accrual) and budgetary bases of accounting. Financial accounting supports accrual accounting

**NOTE 1      SIGNIFICANT ACCOUNTING POLICIES – (continued)**

and financial reporting by accounting for assets, liabilities, net position, revenues and expenses to show actual financial position and net cost of operations.

DCAA obligates funds to provide goods and services for outstanding orders not yet delivered. Unless the title has passed, the financial statements do not reflect a liability for payment for goods and services not delivered. Unexpended obligations include both obligations for which goods and services have been delivered (title passed), and a liability is recognized, and obligations for which no delivery has occurred, and no liability is recognized. The balance of unexpended obligations appears immediately before net outlays in the Statement of Budgetary Resources and is referred to as “Total, unpaid obligated balance, net, end of period.”

**1.F. Accounting for Intragovernmental Activities**

Throughout the financial statements and notes, certain assets, liabilities, earned revenue, and costs have been classified as intragovernmental, which is defined as exchange transactions made between two reporting entities within the Federal government. The U.S. Treasury’s “Federal Intragovernmental Transactions Accounting Policies Guide” and Treasury Financial Manual Part 2 – Chapter 4700 “*Agency Reporting Requirements for the Financial Report of the United States Government*” – provide guidance for reporting and reconciling intragovernmental balances. While DCAA is unable to fully reconcile intragovernmental transactions with all of its non-DoD Federal Agencies, DCAA is able to reconcile balances pertaining to Federal Employees’ Compensation Act transactions with the Department of Labor, and benefit program transactions with the Office of Personnel Management.

**1.G. Non-entity Assets**

Entity assets consist of resources that DCAA has the authority to use or where management is legally obligated to use funds to meet entity obligations. Nonentity assets are assets for which DCAA maintains stewardship, accountability, and responsibility to report, but are not available for DCAA operations. Entity assets include accounts receivable, general PP&E, and other assets and balances with Treasury comprised of appropriated funds and cash collected for reimbursable audit work.

**1.H. Fund Balance with Treasury**

DoD maintains all cash accounts with the U.S. Department of Treasury (hereafter, Treasury). Treasury processes cash receipts and disbursements on behalf of DoD and DoD’s accounting records are reconciled with those of Treasury on a monthly basis. DCAA receives its spending authorizations as allotments from DoD appropriations. DoD reconciles Fund Balance with Treasury at the agency-wide level. As such, what is presented on DCAA’s balance sheet is not reconcilable with account balances maintained by Treasury.



**NOTE 1      SIGNIFICANT ACCOUNTING POLICIES – (continued)**

**1.I. Cash and Other Monetary Assets**

This is not applicable to DCAA.

**1.J. Investments**

DCAA does not have any investments in US Treasuries or Securities.

**1.K. Accounts Receivable**

Accounts receivable consists of amounts owed to DCAA by other Federal Agencies and the public. As presented in the Balance Sheet, accounts receivable includes three categories: accounts, claims, and refunds receivable from other federal entities and the public. Federal accounts receivable arise generally from the provision of services to other Federal agencies, and, with the exception of occasional billing disputes, are considered to be fully collectible. DCAA does not recognize an allowance for estimated uncollectible amounts from other Federal agencies. Claims against Federal agencies are to be resolved between the agencies in accordance with dispute resolution procedures defined in the Intragovernmental Business Rules published in the Treasury Financial Manual. DCAA establishes an allowance for uncollectible accounts due from the public by determining the established percentage of debts based on the age of the receivable.

**1.L. Loans Receivable, Net and Loan Guarantee Liabilities**

DCAA does not have any loans receivable or loan guarantee liabilities.

**1.M. Inventory and Related Property**

DCAA does not have any inventory or related property.

**1.N. General Property, Plant and Equipment**

General purpose property, plant and equipment (hereafter, PP&E) consists of buildings, structures, and facilities used for general operations, capital leases and leasehold improvements. DCAA's PP&E threshold is \$100 thousand except for real property, which is \$20,000. DCAA does not have any real property and is using the capitalization threshold of \$100 thousand for all General PP&E.

General PP&E assets are capitalized at historical acquisition costs when an asset has a useful life of two or more years and when the acquisition cost equals or exceeds the DoD's capitalization threshold. DoD also requires the capitalization of improvements to existing General PP&E assets if the improvements equal or exceed the DoD capitalization threshold and extend the useful life or increase the size, efficiency, or capacity of the asset. DoD depreciates all General PP&E, other than land, on a straight-line basis.

**1.O. Other Assets**

Other assets represent payments of salary and travel advances made to civilian employees to defray anticipated business expenses while on official travel.

**NOTE 1      SIGNIFICANT ACCOUNTING POLICIES – (continued)**

**1.P. Leases**

A lease is defined as a contract or agreement whereby one entity (lessor) conveys the right to control the use of property, plant, and equipment (PP&E) (the underlying asset) to another entity (lessee) for a period of time as specified in the contract or agreement in exchange for consideration. To qualify as a lease, the underlying asset typically should be identified by being explicitly specified in a contract or agreement. However, an asset also can be identified by being implicitly specified at the time that the asset is made available for use by the lessee. Leases include contracts or agreements that, although not explicitly identified as leases, meet the definition of a lease. DCAA does not have any capital leases. Leases that do not meet the criteria for capital leases are classified as operating leases and recorded as expenses as payments are made over the lease term. DCAA has operating leases on office space that expire at various times. The lease terms depend upon the individual contracts and locations.

**1.Q. Liabilities**

Liabilities represent the amount of monies or other resources that are likely to be paid by DCAA as the result of a transaction or event that has already occurred. No liability can be paid by DCAA without an appropriation of funds. Liabilities for which an appropriation has not been enacted are therefore disclosed as liabilities not covered by budgetary resources or unfunded liabilities. The liquidation of liabilities not covered by budgetary or other resources is dependent on future appropriations or other funding.

**1.R. Environmental and Disposable Liabilities**

DCAA does not have any environmental or disposal liabilities.

**1.S. Other Liabilities**

Other liabilities include personnel-related costs. Civilian annual leave, compensatory time, and credit hours are accrued as earned and the unfunded liability for the accrued amounts is reduced as leave is taken. The balance for these unfunded liabilities on September 30, 2024, reflects current pay rates for the leave that is earned but not taken. Sick and other types of non-vested leave are expensed as taken.

**1.T. Commitments and Contingencies**

Contingent Liabilities are liabilities where the existence or amount of the liability cannot be determined with certainty, because they depend on the outcome of future events. The uncertainty will be resolved when one or more future events occur or fail to occur. DCAA recognizes contingent liabilities on an annual basis when the liability is probable and reasonably estimable. DCAA discloses contingent liabilities in the notes to the financial statements when the conditions for liability recognition are not met and when the outcome likelihood of future events is more than remote.

**NOTE 1      SIGNIFICANT ACCOUNTING POLICIES – (continued)**

**1.U. Federal Employee and Veteran Benefits Payable**

The actuarial liability for workers' compensation benefits is developed by the Department of Labor {DOL} and is provided to the Department of Defense at the end of each fiscal year. Please refer to Note 13 – *Federal Employee and Veteran Benefit Payable*.

**1.V. Revenues and Other Financing Sources**

DCAA recognizes revenue as a result of costs incurred or services performed on behalf of other Federal agencies and the public. Under the reimbursable order process, DCAA recognizes revenue when earned.

Congress appropriates the majority of DCAA's operating funds from the general receipts of the Treasury. These funds are made available to DCAA for a specified time period (one or more fiscal years) or until expended. When authorized by legislation, these appropriations are supplemented by revenues generated by sales of services to other Federal agencies on a reimbursable basis. Appropriations are reflected as a financing source entitled "Appropriations Used" on the Statement of Changes in Net Position once goods or services have been received. Appropriations are reported as apportioned on the Statement of Budgetary Resources when authorized by legislation.

**1.W. Recognition of Expenses**

For financial statement purposes, DoD requires the recognition of operating expenses in the period incurred. Accruals are made for major items such as payroll expenses, accounts payable, and unbilled revenue.

**1.X. Budgetary Resources**

Budgetary resources encompass not only new budget authority but also other resources available to cover liabilities for specified purposes in a given year. Available budgetary resources include: (1) new budget authority, (2) spending authority from offsetting collections (credited to an appropriation or fund account), (3) recoveries of unexpired budget authority through downward adjustments of prior year obligations, (4) unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year, and (5) permanent indefinite appropriations or borrowing authority, which have been enacted and signed into law as of the balance sheet date, provided that the resources may be apportioned by the Office of Management and Budget without further action by the Congress or without a contingency first having to be met.

**1.Y. Treaties for Use of Foreign Bases**

This is not applicable to DCAA.

**NOTE 1      SIGNIFICANT ACCOUNTING POLICIES – (continued)**

**1.Z. Use of Estimates**

DCAA's management makes certain estimates and assumptions in order to prepare the financial statements in accordance with GAAP that affect certain reported amounts and disclosures. DCAA, in conformity with GAAP, has made certain estimates and assumptions related to the reporting of assets, liabilities, revenues, expenses, and the disclosure of contingent liabilities. Accordingly, actual results could differ from those estimates.

**1.A(a). Parent-Child Reporting**

This is not applicable to DCAA.

**1.A(b). Transactions with Foreign Governments and International Organizations**

DCAA does not provide services to foreign governments or international organizations.

**1.A(c). Fiduciary Activities**

This is not applicable to DCAA.

**1.A(d). Tax Exempt Status**

The federal government is exempt from all income taxes by any governing body whether it is a federal, state, commonwealth, or foreign government.

**NOTE 2      NON-ENTITY ASSETS**

Assets of DCAA include entity assets and nonentity assets. Entity assets consist of resources that DCAA has the authority to use or where management is legally obligated to use funds to meet entity obligations. Nonentity assets are assets for which DCAA maintains stewardship, accountability, and responsibility to report, but are not available for DCAA operations. Entity assets include accounts receivable, general PP&E, and other assets and balances with Treasury comprised of appropriated funds and cash collected for reimbursable audit work.

<b>As of September 30, (Amounts in thousands)</b>	<b>2024</b>			<b>2023</b>
	<b>Nonentity</b>	<b>Entity</b>	<b>Total</b>	<b>Total</b>
<b>Intragovernmental Assets:</b>				
Fund Balance with Treasury	\$ -	\$ 96,059	\$ 96,059	\$ 102,688
Accounts Receivable	-	6,859	6,859	3,897
Total Intragovernmental	\$ -	\$ 102,918	\$ 102,918	\$ 106,585
<b>Nonfederal Assets:</b>				
Accounts Receivable, Net	\$ 63	\$ (29)	\$ 34	\$ 48
General PP&E, Net	-	2,851	2,851	-
Other Assets	-	529	529	-
Advances and Prepayments	-	31	31	40
Total Nonfederal Assets	\$ 63	\$ 3,382	\$ 3,445	\$ 88
<b>Total Assets</b>	<b>\$ 63</b>	<b>\$ 106,300</b>	<b>\$ 106,363</b>	<b>\$ 106,673</b>

**Non-federal Assets**

- Cash and Other Monetary Assets consist primarily of cash held by disbursing officers to carry out payment and collection.
- Accounts Receivable consists of amounts associated with canceled year appropriations and with interest, fines and penalties receivable due on debt. Generally, DCAA cannot use the proceeds and must remit them to the U.S. Treasury unless permitted by law.

**NOTE 3 FUND BALANCE WITH TREASURY**

<b>As of September 30,</b> (Amounts in thousands)	<u><b>2024</b></u>	<u><b>2023</b></u>
<b>Unobligated Balance:</b>		
Available	\$ 5,773	\$ 6,178
Unavailable	10,683	10,290
<b>Total Unobligated Balance</b>	<b>\$ 16,456</b>	<b>\$ 16,468</b>
 <b>Obligated Balance not yet Disbursed</b>	 <b>\$ 86,764</b>	 <b>\$ 91,042</b>
 <b>Non-FBWT Budgetary Accounts</b>		
Unfilled Customer Orders without advance	\$ 144	\$ (550)
Receivables and Other	(7,305)	(4,272)
<b>Total Non-FBWT</b>	<b>\$ (7,161)</b>	<b>\$ (4,822)</b>
 <b>Budgetary Accounts</b>	 <b>\$ (7,161)</b>	 <b>\$ (4,822)</b>
 <b>Total FBWT</b>	 <b>\$ 96,059</b>	 <b>\$ 102,688</b>

Available Unobligated Balance includes the cumulative amount of budgetary authority that has not been set aside to cover outstanding obligations and can be used for future obligations. Unavailable Unobligated Balance includes the cumulative amount of budget authority and funds not available for obligation from offsetting collections.

Obligated Balance Not Yet Disbursed represents funds that have been obligated for goods and services not received by the DCAA and goods and services received but not yet paid.

Non-FBWT Budgetary Accounts represent unavailable receipts and clearing accounts that do not have budget authority and non-FBWT Budgetary such as unfilled customer orders without advances and receivables. Unfilled Customer Orders Without Advance and Reimbursements is a receivable providing budgetary resources when recorded. FBWT is only increased when reimbursements are collected, not when orders are accepted or have been earned.

Reimbursable Authority (Spending Authority from Anticipated Collections) does not increase the FBWT when initially posted but does provide budgetary resources. FBWT increases only after the customer payments for services or goods rendered have been collected. Conversely, appropriations received increase FBWT upon receipt of the budget authority.

**NOTE 4 CASH AND MONETARY ASSETS**

Though required under DoD 7000.14-R Financial Management Regulation Volume 6B, Chapter 10. this note is not applicable to DCAA’s financial statements.

NOTE 5 INVESTMENTS

Though required under DoD 7000.14-R Financial Management Regulation Volume 6B, Chapter 10, this note is not applicable to DCAA’s financial statements.

NOTE 6 ACCOUNTS RECEIVABLE, NET

As of September 30,	2024			2023
(Amounts in thousands)	Gross Amount Due	Allowance for Estimated Uncollectibles	Accounts Receivable Net	Accounts Receivable Net
Intragovernmental Receivables	\$ 7,305	\$ (446)	\$ 6,859	\$ 3,897
Nonfederal Receivables (From Public)	34	-	34	48
<b>Total Accounts Receivable</b>	<b>\$ 7,339</b>	<b>\$ (446)</b>	<b>\$ 6,893</b>	<b>\$ 3,945</b>

Intragovernmental receivables represent those receivables between Defense Contract Audit Agency (DCAA) and other federal agencies. DCAA performs, on a reimbursable basis, contract audit services for most of the other Federal Agencies, currently about 40 entities.

Allowances for uncollectible accounts due from the public are based upon factors such as aging of accounts receivable, debtor’s ability to pay, and payment history.

NOTE 7 LOAN RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES

Though required under *DoD 7000.14-R Financial Management Regulation Volume 6B, Chapter 10*, this note is not applicable to DCAA’s financial statements.

NOTE 8 INVENTORY AND RELATED PROPERTY, NET

Though required under *DoD 7000.14-R Financial Management Regulation Volume 6B, Chapter 10*, this note is not applicable to DCAA’s financial statements.

NOTE 9 GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

As of September 30,	2024			2023
(Amounts in thousands)	Acquisition Value	Accumulated Depreciation	Net Book Value	Prior FY Net Book Value
General Equipment	\$ 3,288	\$ (437)	\$ 2,851	\$ -
Total General PP&E	\$ 3,288	\$ (437)	\$ 2,851	\$ -

**NOTE 10 OTHER ASSETS**

<b>As of September 30,</b> (Amounts in thousands)	<u>2024</u>	<u>2023</u>
<b>Non-federal Other Assets</b>		
Advances and Prepayments	529	-
Less: "Outstanding Contract Financing Payments" and "Advance and Prepayments" totaled and presented on the Balance Sheet as "Advances and Prepayments"	-	-
<b>Total Other Assets</b>	<b>\$ <u>529</u></b>	<b>\$ <u>-</u></b>

Intragovernmental Advances and Prepayments represents the cumulated depreciation on equipment.

Other Than Intragovernmental advances and prepayments are comprised of travel advances, salary advances, and advances of overseas allowances to DCAA employees.

**NOTE 11 LIABILITIES NOT COVERED BY BUDGETARY RESOURCES**

<b>As of September 30,</b> (Amounts in thousands)	<u>2024</u>			<u>2023</u>
	<b>Covered by Budgetary Resources</b>	<b>Not Covered by Budgetary Resources</b>	<b>Total</b>	<b>Total</b>
<b>Intragovernmental Liabilities</b>				
Other	\$ -	\$ 4,258	\$ 4,258	\$ 4,313
Total Intragovernmental Liabilities	\$ -	\$ 4,258	\$ 4,258	\$ 4,313
<b>Nonfederal Liabilities</b>				
Accounts Payable	\$ -	\$ 1,862	\$ 1,862	\$ 1,763
Other Federal				
Employment Benefits	-	62,147	62,147	61,796
Other Liabilities	17,405	-	17,405	13,425
Total Nonfederal Liabilities	<u>17,405</u>	<u>64,009</u>	<u>81,414</u>	<u>76,984</u>
<b>Total Liabilities</b>	<b>\$ <u>17,405</u></b>	<b>\$ <u>68,267</u></b>	<b>\$ <u>85,672</u></b>	<b>\$ <u>81,297</u></b>



**NOTE 11 LIABILITIES NOT COVERED BY BUDGETARY RESOURCES - continued**

Intragovernmental Liabilities consists primarily of unfunded liabilities for Federal Employees Compensation Act and Unemployment Insurance (FECA). The Department of Labor (DOL) annually determines the liability for future workers' compensation benefits including the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases, plus a component for incurred-but-not-reported claims. The liability is determined using historical benefit payment patterns related to a specific incurred period to predict the final payment related to that period. Consistent with past practice, these projected annual benefit payments have been discounted to present value based on interest rate assumptions on the Treasury's Yield Curve for Treasury Nominal Coupon Issues (TNC Yield Curve) to reflect the average duration of income payments and medical payments. An interest rate for wage benefits of 2.326% was assumed for year one and years thereafter. An interest rate for medical benefits of 2.112% was assumed for year one and years thereafter. The DOL calculates this liability using wage inflation factors (cost of living adjustments or COLAs) and medical inflation factors (consumer price index medical or CPIM). The actual rates for these factors were also used to adjust the methodology's historical payments to current year constant dollars.

Other than Intragovernmental Liabilities -Accounts Payable primarily represents liabilities in canceled appropriations, which if paid, will be disbursed using current year funds.

Budgetary Resources includes (1) new budget authority, (2) unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year, (3) spending authority from offsetting collections, and (4) recoveries of unexpired budget authority through downward adjustments of prior year obligations. Additionally, liabilities are covered by budgetary resources if they are to be funded by permanent indefinite appropriations, provided that the resources may be apportioned by OMB without further action by Congress and without contingency having to be met first.

Total Liabilities Not Covered by Budgetary Resources require future congressional action, whereas liabilities covered by budgetary resources reflect prior congressional action. Regardless of when the congressional

action occurs, when the liabilities are liquidated, the U.S. Treasury will finance the liquidation in the same way that it finances all other disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

Total Liabilities Covered by Budgetary Resources represents all funded liabilities.

Budgetary Resources includes (1) new budget authority, (2) unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year, (3) spending authority from offsetting collections, and (4) recoveries of unexpired budget authority through downward adjustments of prior year obligations. Additionally, liabilities are covered by budgetary resources if they are to be funded by permanent indefinite appropriations, provided that the resources may be apportioned by OMB without further action by Congress and without contingency having to be met first.

Total Liabilities Not Covered by Budgetary Resources require future congressional action, whereas liabilities covered by budgetary resources reflect prior congressional action. Regardless of when the congressional action occurs, when the liabilities are liquidated, the U.S. Treasury will finance the

**NOTE 11 LIABILITIES NOT COVERED BY BUDGETARY RESOURCES - continued**

liquidation in the same way that it finances all other disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

**NOTE 12 DEBT**

Though required under *DoD 7000.14-R Financial Management Regulation Volume 6B, Chapter 10*, this note is not applicable to DCAA’s financial statements.

**NOTE 13 FEDERAL EMPLOYEE AND VETERAN BENEFITS PAYABLE**

As of September 30,	2024			2023
(Amounts in thousands)	Liabilities	Assets Available to Pay Benefits	Unfunded Liability	Total
<b>Other Benefits</b>				
FECA	\$ 21,752	\$ -	\$ 21,752	\$ 22,396
Other	52,529	(12,134)	40,395	39,400
Total Other Benefits	74,281	(12,134)	62,147	61,796
Federal Employee and Veteran Benefits Payable (presented separately on Balance Sheet)	74,281	(12,134)	62,147	61,796
Other benefit-related payables included in Intragovernmental Other Liabilities on the Balance Sheet	6,788	(2,545)	4,243	4,297
<b>Total Federal Employee and Veteran Benefits Payable</b>	<b>\$ 81,069</b>	<b>\$ (14,679)</b>	<b>\$ 66,390</b>	<b>\$ 66,093</b>

Actuarial cost method used and assumptions:

The DOL estimates actuarial liability only at the end of each fiscal year.

The methodology for billable projected liabilities included, among other things: (1) An algorithmic model that relies on individual case characteristics and benefit payments (the FECA Case Reserve Model); and (2) Incurred but not reported claims were estimated using the patterns of incurred benefit liabilities in addition to those of payments.

The effects of inflation on the liability for future workers’ compensation benefits, wage inflation factors, cost of living adjustments (COLAs), and medical inflation factors consumer price index medical (CPI-M) were also applied to the calculation of projected future benefits. DOL selected the COLA factors, CPI-M factors, and discount rate by averaging the COLA rates, CPI-M rates, and interest rates for the current and prior four years, all while using averaging render estimates that reflect historical trends over five years instead of opting for conditions that exist over one year.

**NOTE 13 FEDERAL EMPLOYEE AND VETERAN BENEFITS PAYABLE - continued**

The compensation COLAs and CPI-Ms used in the projections for various charge back year (CBY) were as follows:

<b>CBY</b>	<b>COLA</b>	<b>CPI-M</b>
2024	4.04%	3.25%
2025	4.29%	3.21%
2026	4.38%	3.51%
2027	4.13%	3.87%
2028 and thereafter	3.13%	4.03%

DOL selected the interest rate assumptions whereby projected annual payments were discounted to present value based on interest rate assumptions on the U.S. Department of the Treasury’s Yield Curve for Treasury Nominal Coupon Issues (the TNC Yield Curve) to reflect the average duration of income payments and medical payments. Discount rates were based on averaging the TNC Yield Curves for the current and prior four years for FY 2024 and FY 2023, respectively. Interest rate assumptions utilized for FY 2024 discounting were as follows:

Discount Rates For wage benefits: 2.326 percent in year 1 and years thereafter; For medical benefits: 2.112 percent in year 1 and years thereafter.

To test the reliability of the model, comparisons were made between projected payments in the last year to actual amounts, by agency. Changes in the liability from last year’s analysis to this year’s analysis were also examined by agency, with any significant differences by agency inspected in greater detail. The model has been stable and has projected the actual payments by agency reasonably well.

**NOTE 14 ENVIRONMENTAL AND DISPOSAL LIABILITIES**

Though required under *DoD 7000.14-R Financial Management Regulation Volume 6B, Chapter 10*, this note is not applicable to DCAA’s financial statements.

**NOTE 15 OTHER LIABILITIES**

**As of September 30,**

(Amounts in thousands)

	<b>2024</b>		<b>2023</b>	
	<b>Current Liability</b>	<b>Noncurrent Liability</b>	<b>Total</b>	<b>Total</b>
<b>Intragovernmental Assets:</b>				
Liabilities for Non-entity Assets	\$ 15	\$ -	\$ 15	\$ 15
Subtotal	15	-	15	15
Other Liabilities reported on Note 13, Federal Employee and Veteran Benefits Payable	4,696	2,092	6,788	6,355
Total Intragovernmental	\$ 4,711	\$ 2,092	\$ 6,803	\$ 6,370
Other than Intragovernmental				
Accrued Funded Payroll and Benefits	\$ -	\$ -	\$ -	\$ -
Total Other than Intragovernmental	\$ -	\$ -	\$ -	\$ -
<b>Total Other Liabilities</b>	<b>\$ 4,711</b>	<b>\$ 2,092</b>	<b>\$ 6,803</b>	<b>\$ 6,370</b>

Intragovernmental Other Liabilities consist of federal employee and veteran benefits. This liability represents the employer portion of payroll taxes and employer contributions for health benefits, life insurance, and retirement, as well as unfunded FECA liability.

Other Than Intragovernmental Other Liabilities consist of:

- Accrued funded payroll and benefits reports as other liabilities, the unpaid portion of accrued funded civilian payroll and employee’s annual leave as it is earned, and subsequently reduces the leave liability when it is used.
- The contingent liability records the amount of liability recognized as a result of past events or exchange transactions in which a future outflow or other sacrifice of resources is both probable and measurable. A quarterly analysis is performed to determine the pending/threatened litigation and unasserted claims, administrative or judicial proceedings, lawsuits, and/or other legal actions filed against DCAA that could ultimately result in settlements.

Life and other insurance programs covering civilian employees are provided through the U.S. Office of Personnel Management (OPM). DCAA does not negotiate the insurance contracts and incurs no liabilities directly to the insurance companies. Employee payroll withholdings related to the insurance and employer matches are submitted to OPM.

**NOTE 16 LEASES**

Office spaces leases entered into by DCAA are the largest component of operating leases. An operating lease does not substantially transfer all the benefits and risks of ownership to DCAA. DCAA, as the lessee, receives the use and possession of the leased property from a lessor in exchange for a payment of funds. Depend upon individual contract and locations, payments for operating leases are expensed over the lease term as they become payable. Costs were gathered from existing leases, General Service Administration bills, and Interservice Support Occupancy Agreements. DCAA projects future costs using the Consumer Price Index.

Year Ended September 30 (amounts in thousands)	Operating Lease Amounts
2025	\$ 19,505
2026	19,895
2027	20,293
2028	20,698
2029 and thereafter	87,017
Total Minimum Lease Payments \$	167,408

**NOTE 17 COMMITMENT AND CONTINGENCIES**

Though required under *DoD 7000.14-R Financial Management Regulation Volume 6B, Chapter 10*, this note is not applicable to DCAA’s financial statements. DCAA has no Commitments or Contingencies for the period ending September 30, 2024.

**NOTE 18 FUNDS FROM DEDICATED COLLECTIONS**

Though required under *DoD 7000.14-R Financial Management Regulation Volume 6B, Chapter 10*, this note is not applicable to DCAA’s financial statements.

**NOTE 19 GENERAL DISCLOSURES RELATED TO THE STATEMENT OF NET COST**

<b>As of September 30,</b> (Amounts in thousands)	<u>2024</u>	<u>2023</u>
Gross Costs	\$ 741,913	\$ 709,951
Less: Earned Revenue	\$ (26,683)	\$ (28,510)
Total Net Cost	\$ 715,230	\$ 681,441

The Statement of Net Cost (SNC) represents the net cost of programs of DCAA supported by appropriations or other means. The intent of the SNC is to provide gross and net cost information related to the amount of

**NOTE 19 GENERAL DISCLOSURES RELATED TO THE STATEMENT OF NET COST - continued**

output or outcome for a given program. DCAA's current processes and systems capture costs based on appropriation groups as presented in the schedule above.

Intragovernmental revenue is related to transactions made between two reporting entities within the Federal Government.

**NOTE 20 DISCLOSURES RELATED TO THE STATEMENT OF CHANGES IN NET POSITION**

Though required under *DoD 7000.14-R Financial Management Regulation Volume 6B, Chapter 10*, this note is not applicable to DCAA's financial statements.

**NOTE 21 DISCLOSURES RELATED TO THE STATEMENT OF BUDGETARY RESOURCES**

The Statement of Budgetary Resources provides information about how budgetary resources were made available as well as their status at the end of the period. It is the only financial statement exclusively derived from the entity's budgetary general ledger in accordance with budgetary accounting rules that are incorporated into U.S. generally accepted accounting principles for the Federal Government.

<b>As of September 30,</b> (Amounts in thousands)	<u><b>2024</b></u>	<u><b>2023</b></u>
Budgetary Resources Obligated for Undelivered Orders		
Intragovernmental:		
Unpaid	\$ 18,364	\$ 0
Prepaid/Advanced	529	0
Total Intragovernmental	<u>\$ 18,893</u>	<u>\$ 0</u>
Non-Federal		
Unpaid	\$ 50,995	\$ 77,241
Prepaid/Advanced	31	40
Total Resources used to finance activities	<u>\$ 51,026</u>	<u>\$ 77,281</u>
<b>Total Budgetary Resources Obligated for Undelivered Orders at the End of the Period</b>	<u>\$ 69,919</u>	<u>\$ 77,281</u>

The Statement of Budgetary Resources is prepared at the DoD Component level and is a summarization of the individual appropriation account level SF 133s.

Other disclosures

Intra-entity transactions have not been eliminated because the statements are presented as combined.

**NOTE 22 DISCLOSURES RELATED TO INCIDENTAL CUSTODIAL COLLECTIONS**

Though required under *DoD 7000.14-R Financial Management Regulation Volume 6B, Chapter 10*, this note is not applicable to DCAA’s financial statements.

**NOTE 23 FIDUCIARY ACTIVITIES**

Though required under *DoD 7000.14-R Financial Management Regulation Volume 6B, Chapter 10*, this note is not applicable to DCAA’s financial statements.

**NOTE 24 RECONCILIATION OF NET COST TO NET OUTLAYS**

As of September 30, (Amounts in thousands)	2024			2023
	Intra- governmental	With the public	Total	Total
<b>Net Cost of Operations</b>	\$ 187,231	\$ 527,999	\$ 715,230	\$ 681,441
<b>Component of Net Cost That are Not Part of Net Outlays:</b>				
Property, plant, and equipment depreciation	-	(437)	(437)	-
Increase/(decrease) in assets:				
Accounts Receivable	\$ 2,588	\$ (14)	\$ 2,574	\$ (4,215)
Advances and prepayments	-	(9)	(9)	39
Other Assets	529	-	529	-
( Increase)/decrease in assets:				
Accounts payable	128	(2,436)	(2,308)	1,128
Federal employee and veteran benefits payable	-	(1,902)	(1,902)	(2,284)
Veterans, pensions, and post employment - related benefits	-	643	643	(6,661)
Other liabilities	(434)	-	(434)	(691)
Other financing sources:				
Imputed cost	(52,682)	-	(52,682)	(43,872)
<b>Total Components of Net Cost That Are Not Part of Net Outlays</b>	\$ (49,871)	\$ (4,155)	\$ (54,026)	\$ (56,556)
<b>Components of Net Operating Cost Not Part of the Budgetary Outlays</b>				
Acquisition of capital assets	\$ -	\$ 3,288	\$ 3,288	\$ -
<b>Total Other Reconciling Items</b>	\$ -	\$ 3,288	\$ 3,288	\$ -
<b>Net Outlays</b>	\$ <b>137,360</b>	\$ <b>527,132</b>	\$ <b>664,492</b>	\$ <b>624,885</b>
<b>Agency Outlays, Net, Statement of Budgetary Resources</b>			\$ <u>664,492</u>	
<b>Unreconciled Difference</b>			\$ <u>-</u>	

**NOTE 25 PUBLIC-PRIVATE PARTNERSHIPS**

Though required under *DoD 7000.14-R Financial Management Regulation Volume 6B, Chapter 10*, this note is not applicable to DCAA's financial statements.

**NOTE 26 DISCLOSURE OF ENTITIES AND RELATED PARTIES**

Though required under *DoD 7000.14-R Financial Management Regulation Volume 6B, Chapter 10*, this note is not applicable to DCAA's financial statements.

**NOTE 27 SECURITY ASSISTANCE ACCOUNTS**

Though required under *DoD 7000.14-R Financial Management Regulation Volume 6B, Chapter 10*, this note is not applicable to DCAA's financial statements.

**NOTE 28 RESTATEMENTS**

Though required under *DoD 7000.14-R Financial Management Regulation Volume 6B, Chapter 10*, this note is not applicable to DCAA's financial statements.

**NOTE 29 COVID-19 ACTIVITY**

Though required under *DoD 7000.14-R Financial Management Regulation Volume 6B, Chapter 10*, this note is not applicable to DCAA's financial statements.

**NOTE 30 SUBSEQUENT EVENTS**

The Agency has evaluated subsequent events through October 31, 2024, the date on which the financial statements are available to be issued.

**NOTE 31 RECLASSIFICATION OF FINANCIAL STATEMENT LINE ITEMS FOR FINANCIAL REPORT COMPILATION PROCESS**

This Note is reported at the DoD Agency-Wide level only. DoD Components do not report this Note. Therefore, this note is not applicable to DCAA's financial statements.