2005-12

Analysis of proposed fee-for-service fund implementation in the Defense Contract Management Agency

Wilcox, Dan; Rhone, Jamie

Monterey, California. Naval Postgraduate School

NAVAL POSTGRADUATE SCHOOL

MONTEREY, CALIFORNIA

MBA PROFESSIONAL REPORT

Analysis of Proposed Fee-for-Service Fund (FFS) Implementation in the Defense Contract Management Agency (DCMA)

By: **Dan Wilcox, and**
Jamie Rhone

December 2005

Advisors: **John Shank,**
Bryan Hudgens

Approved for public release; distribution is unlimited.

THIS PAGE INTENTIONALLY LEFT BLANK

REPORT DOCUMENTATION PAGE			Form Approved OMB No. 0704-0188
Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188) Washington DC 20503.			
1. AGENCY USE ONLY ***(Leave blank)***	**2. REPORT DATE** December 2005	**3. REPORT TYPE AND DATES COVERED** MBA Professional Report	
4. TITLE AND SUBTITLE: Analysis of Proposed Fee-For-Service Fund Implementation in the Defense Contract Management Agency			**5. FUNDING NUMBERS**
6. AUTHOR(S): Dan Wilcox and Jamie Rhone			
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Naval Postgraduate School Monterey, CA 93943-5000			**8. PERFORMING ORGANIZATION REPORT NUMBER**
9. SPONSORING / MONITORING AGENCY NAME(S) AND ADDRESS(ES) N/A			**10. SPONSORING / MONITORING AGENCY REPORT NUMBER**
11. SUPPLEMENTARY NOTES The views expressed in this report are those of the author(s) and do not reflect the official policy or position of the Department of Defense or the U.S. Government.			
12a. DISTRIBUTION / AVAILABILITY STATEMENT Approved for public release; distribution is unlimited.			**12b. DISTRIBUTION CODE**

13. ABSTRACT ***(maximum 200 words)***

The purpose of this MBA Project was to investigate and provide a comprehensive analysis on a proposed implementation of a Fee For Service (FFS) structure for the Defense Contract Management Agency (DCMA). The goal of this project was to identify and document the applicability of a FFS in DCMA by comparing the seemingly redundant services provided by both the Program Management Offices and DCMA. Furthermore, this project analyzed the potential cost savings of a FFS achieved by enabling the PMO to pay for the services themselves vice utilizing DCMA as a "free" service provider. The Author's contention is NOT that DCMA is inefficient but that the system for identifying, procuring, and funding DCMA's services is inefficient.

14. SUBJECT TERMS Fee For Service, Defense Contract Management Agency, Program Management Office			**15. NUMBER OF PAGES** 69
			16. PRICE CODE
17. SECURITY CLASSIFICATION OF REPORT Unclassified	**18. SECURITY CLASSIFICATION OF THIS PAGE** Unclassified	**19. SECURITY CLASSIFICATION OF ABSTRACT** Unclassified	**20. LIMITATION OF ABSTRACT** UL

THIS PAGE INTENTIONALLY LEFT BLANK

Approved for public release, distribution is unlimited

ANALYSIS OF PROPOSED FEE-FOR-SERVICE FUND IMPLEMENTATION IN THE DEFENSE CONTRACT MANAGEMENT AGENCY

Dan Wilcox, Lieutenant Commander, United States Navy
Jamie Rhone, Captain, United States Air Force

Submitted in partial fulfillment of the requirements for the degree of

MASTER OF BUSINESS ADMINISTRATION

from the

NAVAL POSTGRADUATE SCHOOL
December 2005

Authors: _____
Dan Wilcox

_____
Jamie Rhone

Approved by: _____
John Shank, PhD, Lead Advisor

_____
Bryan Hudgens, Support Advisor

_____
Robert N. Beck, Dean
Graduate School of Business and Public Policy

THIS PAGE INTENTIONALLY LEFT BLANK

ANALYSIS OF PROPOSED FEE-FOR-SERVICE FUND IMPLEMENTATION IN THE DEFENSE CONTRACT MANAGEMENT AGENCY

ABSTRACT

The purpose of this MBA Project was to investigate and provide a comprehensive overview of the implementation of a Fee For Service (FFS) structure for the Defense Contract Management Agency (DCMA). The goal of this project was to identify and document the applicability of a FFS in DCMA by comparing the seemingly redundant services provided by both the Program Management Offices and DCMA. Furthermore, this project analyzed the potential cost savings of a FFS achieved by forcing the PMO to pay for the services themselves vice utilizing DCMA as a "free" service provider. The Author's contention is NOT that DCMA is inefficient but that the system for identifying, procuring, and funding DCMA's services is inefficient.

THIS PAGE INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

THIS PAGE INTENTIONALLY LEFT BLANK

LIST OF FIGURES

THIS PAGE INTENTIONALLY LEFT BLANK

ACKNOWLEDGMENTS

The Authors would like to first and foremost that God for providing us with the opportunity presented by the Naval Postgraduate School. Furthermore, we would like to thank our families, Dr. John Shank, and LtCol Bryan Hudgens for both supporting and challenging us throughout this process.

THIS PAGE INTENTIONALLY LEFT BLANK

EXECUTIVE SUMMARY

Given the Human Capital shortage in the Defense Contract Management Agency (DCMA or Agency), this paper will analyze the implementation affects of a Fee-For-Service Fund (FFS) funding option to improve the performance, responsiveness, and readiness of the Agency. DCMA, like every other element of the DoD Acquisition workforce, must be flexible to budgetary shortfalls and Human Capital shortages that are impacting all DoD acquisition organizations[1]. Additionally, in making changes for efficiency, the tasking of doing more with less, the Agency must employ measurable efforts that allow the organization to adequately meet and exceed the needs of DCMA's primary stakeholders (DCMA associates, Program Managers, War Fighters, and Tax Payers).

Collectively, LCDR Dan Wilcox, USN, and Capt Jamie Rhone, USAF, (Collectively referred to as the "Author") have more than five years of experience in the Agency and have amassed a wealth of experiential data to support this analysis. (ATTACHMENT #1).

Throughout this paper, the Author will examine the current state of the Agency, the human capital shortage, the FFS option, and demonstrate the savings afforded to the acquisition process by following the FFS structure which totals more than $15.9M for the eight programs evaluated. This project will focus on the systematic inefficiencies in identifying, procuring, and funding DCMA's services.

The FFS is not an end all be all solution to solve the problems of the DoD Acquisition corps. It is, however, a model to reduce redundancies (in an already resource constrained environment), increase efficiencies making the workforce more lean, and continue to provide the same world class contract administration services that are required to service the DoD war fighters.

[1] A multitude of GAO Reports (GAO-03055, GA0-03-475, GAO-02-630 – just to name a few) describe the current Human Capital shortfalls of the DoD acquisition community to include DCMA.

THIS PAGE INTENTIONALLY LEFT BLANK

I: DCMA BACKGROUND

The Defense Contract Management Agency (DCMA, or The Agency) is the DoD's contract administration agency, charged with the Contract Management (CM) functions outlined in the Federal Acquisitions Regulations (FAR) 42 (ATTACHMENT B). DCMA is made up of more than 10,868 multidisciplinary civilian personnel and 637 active duty military[2]. According to its official mission statement, DCMA "…provides customer focused acquisition life cycle and combat support to ensure readiness, worldwide 24 [hours]/7 [days a week]". This official mission statement was unofficially amplified by one former DCMA commander, CDR Kent Caldwell[3], who stated "In GOD We Trust! Everyone Else We Audit, Inspect, Assess, Evaluate, Monitor or Observe."

The Agency is headquartered in Washington DC and is currently led by Major General Darryl Scott. The Agency workforce is sub-divided into three geographic Districts (ATTACHMENT C): International, West, and East. The Eastern and Western Districts are led by an SES-1 or 06-level US military officers and the International District is led by an O-6 level US military officer.

The primary operational component of the organizational structure of DCMA is the Contract Management Office (CMO) of which there are two types of CMO: Geographic CMOs (GEOs) and In-Plant CMOs (Plants). GEOs are charged with performing contract management functions (CM) for all DoD contracts in a certain geographic region such as Long Island, New York or Southern California. On the other hand, Plants perform contract management for a specific contractor's facility such as the Raytheon plant in Tucson, Arizona. Plant CMOs support major weapon system programs and other large contracts that are deemed to possess sufficient risk to warrant exclusive, in-house, day to day observation. In some cases, hybrid organizations exist, in which a geographic office is headquartered in a major plant; for example, the Austin, Texas residency under the San Antonio GEO is located in the facilities of Tracor Aerospace, a

---

[2] Demographic data obtained from www.dcma.mil. Information accessed 16 Jul 05.

[3] CDR (Ret) Kent Caldwell served as the Commander of the DCMA Plant Office, Northrop Grumman (Bethpage New York) from 2001 to 2004.

mid-level defense contractor. This residency performs contract administration functions both for Tracor (Plant responsibility) and for smaller contractors in the Austin and College Station metropolitan areas (Geographic responsibility).

The DoD currently spends more than $100 Billion annually to research, develop, and acquire weapon systems throughout the country[4]. Given the fact that many Procuring Contracting Offices are located in a completely different state from that in which the work is being performed, DCMA performs the role as the Procuring Contracting Officer's (PCO) onsite contract manager[5]. The Agency's onsite roles include, but are not limited to the following:

• Administrative Contracting Officer (ACO)	• Industrial Specialist
• Contract Administrator	• Engineering Support
• Procurement Technicians	• Quality Assurance
• Price Analyst	• Software Support
• Contract Specialist	• Administrative Support
• Program Integrator	• Organizational Leadership

Figure 1. DCMA's Primary Contract Management Roles[6]

In all, these specialties combine to insure the proper implementation of FAR 42 CM functions (ATTACHMENT B). These directives are designed systematically to assure the varying needs of the Agency's stakeholders are met.

4 GAO Report – GA0-02-630.

5 Note: DCMA CMOs often boast that they are the PCO's "eyes and ears".

6 Primary roles were identified via phone interview of Mrs. Betty Monroe, Deputy Commander, DCMA Long Island. 14 Jul 05.

II: PROBLEM IDENTIFICATION

In his Acquisition Research Working Paper titled "Engagement Versus Disengagement"[7], E. Cory Yoder, Lecturer at the Naval Postgraduate School of Business and Public Policy, identifies the Federal Acquisition Streamlining Act (FASA) and the Federal Acquisition Reform Act (FARA) as drivers behind the circa 1990 DoD acquisition workforce reductions. Yoder states that "…FASA and FARA – with their commercial-item designation provisions, which relieved many of the mandatory statutory and regulatory requirements applicable to contractors – were also believed to reduce the administrative burden on the Federal acquisition communities charged with monitoring and compliance: DCAA and DCMA.[8]" Yoder further identifies several "…notable calls for reduction…[9]" of the acquisition workforce to include

> …the Coopers and Lybrand study[10] and several GAO[11] reports, including an April 1996 report entitled, Acquisition Reform: Efforts to Reduce the Cost to Manage and Oversee DoD Contracts and a 1997 report entitled, Acquisition Reform: DoD Faces Challenges in Reducing Oversight Costs and a July 1998 report entitled, Acquisition Management: Workforce Reductions and Contractor Oversight…[12]

The result of FARA, FASA, and other streamlining laws and regulations is that the DoD acquisition workforce has been severely cut. From 1989 to 1999, the DoD downsized this workforce by 50% to 124,000 workers[13]. DCMA, much like virtually every other DoD acquisition organization, is currently being asked to do more with less staffing (ATTACHMENT D). According to Mrs. Betty Monroe, Deputy Commander for DCMA Long Island "…DCMA has had a hiring freeze since the mid 90's…and since

---

[7] Engagement Versus Disengagement: How Structural & Commercially-Based Regulatory Changes Have Increased Government Risks in Federal Acquisitions. 1 Nov 04. Authored by CDR (Ret) E. Cory Yoder, Lecturer, Naval Postgraduate School.

[8] Engagement Versus Disengagement p. 21.

[9] Engagement Versus Disengagement p. 22

[10] The DoD Regulatory Cost Premium: A Quantitative Assessment. Coopers & Lybrand/TASC, Inc., Dec 94.

[11] General Accountability Office (GAO).

[12] Engagement Versus Disengagement p. 22.

then, we have not hired anyone, with the exception of interns..."[14] In addition to the hiring freeze, DCMA has experienced a budget cut of three to seven percent each year.[15] Additionally, like the rest of the DoD acquisition community, DCMA has an older workforce with a reported average age between 51 and 53 years old[16].

The question for DCMA is this: How can the Agency continue to perform their mission with no realistic expectations of an increased budget and with a workforce that is both aging and unlikely to grow? There are a multitude of options that would answer this question. Possible solutions range from increasing DCMA budgetary resources, to increasing DCMA hiring numbers, to increasing the acquisition workforce, to limiting the services provided to the DCMA customer. One possibility is for the Agency to confine itself to performing only the value-added tasks identified in FAR Part 42 deemed critical to the Program Management Office's (PMO) success (ATTACHMENT B). One way to limit non-essential services while simultaneously delivering the services deemed essential to Agency customers is to force the PMO's requesting those services to pay for them via Fee-for-Service funding (FFS). By forcing a PMO to pay for services, the PMOs are in effect forced to prioritize and budget for the services they need DCMA to perform and identifying when they need the services performed within in the acquisition life cycle. Simultaneously, DCMA, as a FFS structured organization will be forced to consistently strive to performing the requested services as efficiently as possible. This point is further evidenced by the following comments made by Rear Admiral Kenneth Slought[17] who stated that "Fee-for-Service or Working Capital Funded organizations exist as actual businesses. They must go out and market themselves in order to make money and to survive".

---

[13] GAO Report GAO-02-630 – Data as of 3 Sep 1999.

[14] Mrs. Betty Monroe. Interview conducted 14 Jul 05.

[15] Col Kim Leach. Commander, DCMA Long Island 2000 – 2003. Presentation dated 15 Jul 04.

[16] COL (Ret) John Dillard. Commander, DCMA Long Island 1997 – 2000. Interview conducted on 18 Aug 05.

[17] Rear Admiral Kenneth D. Slaught, Commander US Navy SPAWAR in a 11 Mar 05 speech to the Naval Postgraduate School.

When envisioning any new change proposal, analogies can be helpful. The following analogy was designed to aid the reader in viewing the problem from the perspective of the Author:

> Imagine that your had a lawn boy that did a great job of mowing your lawn. One day you ask him to trim your hedges and he does at no additional charge each and every week. You are impressed with his ability to take on and satisfactorily accomplish the additional work. You then ask him to wash your car which he also does at no additional charge each and every week. Chances are you will allow the lawn boy to perform these services indefinitely until such time that he approaches you, and requests payment for each and every service that he currently performs. At this point, you will most likely reevaluate the services that you have him performing and decide that you really don't **need** him to perform the additional services; you only need him to mow your lawn (perform the required services).
>
> **The translation:** FAR 42.302(a) specifically outlines functions that the "…contracting officer normally delegates…" to DCMA (commonly referred to as "required functions"). Far 42.302(b) further identifies functions to be performed "…only when and to the extent specifically authorized by the contracting office…" (commonly referred to as "optional functions"). DCMA currently performs the "required functions" free of charge to the PMOs. DCMA also provides many optional functions (equivalent to the "hedges" in the above analogy) for the PMO in the name of "customer service" that would arguably not be requested by the same PMO if they were required to pay for such services. The Author's contention is that the FFS option would increase the PCO's options. Under a FFS, the PCO could:
>
> 1. *Use DCMA's services and pay the associated fee;*
> 2. *Perform these "optional functions" in-house or via a commercial contractor; or*
> 3. *Opt to not perform the services at all assuming that the services are non-critical and not otherwise required by law or regulation.*
>
> ***END OF ANALOGY***

The Author has first hand experience in the inefficient utilization and management of precious DoD resources in the Agency. The necessity for analysis has taken on a more essential role given the fact our nation is currently at war and these

inefficient practices within the DoD equate to less resources to fund our ongoing fight in the Global War on Terrorism.

This "inefficient utilization" maybe caused by the use of risk as a basis for the allocation of CM services and personnel. General Scott stated "We [DCMA] are a risk-based agency; we evaluate programs, and then we move resources around the agency to respond to that risk…"[18]

The Author agrees with this assessment and has observed the following chain of events:

1. Program XYZ is awarded and determined, by the PMO, to be a high risk program. The PMO increases it's staff to affectively deal with the increased risk of the program;
2. The contractor(s), in response to the high risk nature of this program, increase their staff to ensure adequate oversight of the risky program;
3. DCMA, in response to the high risk posture of their customer and the contractor that they are charged to oversee, also increases its human capital "…resources around the agency to respond to that risk…"[19] to ensure adequate program oversight.

It is understood that one could effectively argue that the reason for the staffing redundancies is an intentional check and balance system and that a major reason for DCMA's existence is to ensure the accountability of the PMOs and defense contractors. The Author counters this argument by pointing out that no where in the FAR (specifically FAR 42) does it outline the role of DCMA as being to perform "check and balance" functionalities. Additionally, this method not only positions redundancies at the PMO and DCMA, but also at contractor. Finally, the Author points out that the DoD oversight and accountability function is responsibility of the GAO and the DoD/IG.

An important distinction must now be made: The Author's contention is NOT that DCMA is inefficient but that the system for identifying, procuring, and funding DCMA's services is inefficient.

---

[18] "Oversight Overhaul" by George Cahlink dated 15 Jun 2005. Accessed from http://www.dcma.mil/communicator/files/DCMA_Oversight_Overhaul.pdf on 20 Sep 05.

[19] Same as Footnote 14.

III: RESEARCH METHODS

This project was motivated by the Author's collective personal and professional experience. The Author's initial research has been consolidated into the following analysis questions:

1. "Do non-value added inefficiencies and redundancies exist in DCMA's performance of CM functions?"
    a. What are the redundancies?
    b. Why do they exist?
    c. Are the redundancies deliberate?
    d. What is their scope (are they large or small)?
2. "If inefficient redundancies exist, would a FFS structure reduce these inefficient redundancies thus improving the return on investment for the Agency's stakeholders?"

This project will analyze eight programs (three from the Air Force, two from the Navy, and three from the Army) comparing the staffing of the PMO to that of the DCMA PST (PST). The comparison will evaluate redundant tasking (if any) being performed by both the Program Management Office and the PSTs from DCMA. For example, does the engineer and the earned value management specialist provided by DCMA perform identical functions to engineering staff of the PMO?[20]

US NAVY	**US AIR FORCE**	**US ARMY**
Tomahawk Cruise Missile	F-22 Raptor	Patriot Missile (PAC III)
F/A/EA-18G	C-130J	THAADS
-	C-17	Standard Missile

Figure 2. Population of weapon system programs selected for analysis

[20] The analysis of the selected programs do not constitute a sampling of any type (from a statistical sense); however, they represent a population of programs judgmentally selected by the Author to evaluate efficiencies and redundancies among the Program Office, DCMA, and Contractor personnel.

An evaluation of program office staffing, and DCMA staffing will be performed via personnel interviews and a review of Full Time Equivalent (FTE) allocations associated with each program. The goal of this evaluation will be the comparison of the staffing and tasks performed by a Program Management Office (PMO) of a large acquisition program, and the PSTs (PST) provided by DCMA.

The primary analysis shall reveal if their indeed exists redundant performance practices (redundancies) of numerous CM functions.

The secondary analysis shall evaluate if a FFS structure could improve the economic efficiencies of the Agency. This section of analysis will multiply the FTEs identified as being redundant (assuming that they exist) by the existing NASA & DCMA FFS (NASA Rate)[21] of $97.36 per hour to identify the potential savings should the program offices adopt this proposed FFS model. This solution will then be multiplied by 2,000[22].

An example of our calculation follows:

Estimated redundant FTEs for a given program = 10

NASA Rate = $97.36

Annual Workable Hours = 2,000

Annual Savings = 10 * $97.36 * 2,000 = $1,947,200

[21] Amendment to the Agreement Between the NASA & the DoD for Reimbursing DoD for Contract Administration, Contract Audit, and Related Support Services Provided in Support of NASA Contracts. Dated 27 Oct 04.

[22] Annual work hours given a 40 hour work week multiplied by 50 workable weeks in a given year.

IV: SOLUTION IDENTIFICATION (FFS DEFINED)

One possible solution to the problem outlined in Chapter 2 is to modify DCMA's current funding structure and replace it with a FFS. DCMA is currently funded on an annual basis. DCMA is given its Operations & Maintenance (O&M) funding at the beginning of the fiscal year to fund its operations for the fiscal year and the funding expires at the completion of the fiscal year.

A FFS, as authorized by US Code Title 10, Section 2208, is based on funding that other governmental organizations transfer to a supporting organization in consideration for services performed. According the DoD Comptroller's iCenter (iCenter)[23], a FFS is "…a financial management strategy, and is one of the many ongoing efforts DoD has undertaken to streamline operations and extend resources further."[24] FFS is accomplished though the use of indefinite fund accounts, which are meant to provide funding for a specific function or service and never expire.

The iCenter further states that by "…establishing clear customer / provider relationships, adopting private-sector techniques for resource management, consolidating functions…the working capital fund system provides managers with improved cost and performance data for more effective and efficient decision making." [25] Specific benefits of the FFS include[26]:

- Identifying the total or "true" cost of DoD goods and services to Congress, military users (buyers), and those who provide goods and services (sellers);
- Promoting more efficient and effective allocation and use of resources;
- Underlining the cost consequences of choices and allows purchases to be made in anticipation of future funded orders;
- Providing managers with the financial authority and flexibility to procure and use manpower, materials, and other resources more effectively;

---

[23] DoD Comptroller iCenter. www.dod.mil/comptroller/icenter/dFFS/dFFSintro.htm. Accessed 21 Sep 05.

[24] DoD iCenter. www.dod.mil/comptroller/icenter/dFFS/benefits.htm. Accessed 21 Sep 05.

[25] DoD iCenter. www.dod.mil/comptroller/icenter/dFFS/benefits.htm. Accessed 21 Sep 05.

[26] DoD iCenter. www.dod.mil/comptroller/icenter/dFFS/benefits.htm. Accessed 21 Sep 05.

- Improving cost estimates and cost control through comparison of estimates and actual costs;
- Placing customers in the position of critically evaluating purchase prices and the quality of goods and services ordered;
- Allowing for greater flexibility and security in decision making as there are no fiscal year limitations;
- Establishes standard prices or stabilized rates and unit prices for goods and services furnished.

In addition to the afore mentioned benefits, the FFS recommendation encourages the PMO to implement a Free Market approach to obtaining their CM services. One of the primary benefits is that a FFS provides PMOs "…with the financial authority and flexibility to procure and effectively use manpower, materials, and other resources…"[27] This benefit empowers the PMO to obtain the CM services from the provider-of-choice that most meets their needs. This concept is readily apparent to Mrs. Sally Flavin, Deputy Director of DCMA, as evidenced by the following comments: "Sallie Flavin, DCMA's deputy director, says the agency cannot assume program managers will come to it for contract support. They have the option of doing the work themselves or hiring private sector consultants. 'If customers decide they want something else, part of that is shame on us because we are not providing what we could,' she says."[28]

The FFS will afford the PMO a funding source to procure the CM services required to economically and ethically acquire DoD assets. As previously stated, 2004 DCMA Customer Surveys currently report that the Agency is meeting customer expectations. It is, however, notable that as late as 2001, DCMA Director Major General Darryl Scott, then Air Force Deputy Assistant Secretary for Contracting (SAF/AQC), "…delivered a tough assessment of DCMA, outlining numerous flaws and concluding that working with the agency was frustrating. 'We [DCMA] were too internally focused. We cared more about our own process than we did in results and service,' Scott says

---

[27] DoD iCenter. www.dod.mil/comptroller/icenter/dFFS/freemarket.htm. Accessed 21 Sep 05.

[28] "Oversight Overhaul" by George Cahlink dated 15 Jun 2005. Accessed from http://www.dcma.mil/communicator/files/DCMA_Oversight_Overhaul.pdf on 20 Sep 05.

now."[29] Under the FFS structure, a DCMA customer would be given the opportunity to reallocate his/her funding and potentially procure the CM services from an organization that was more customer focused and more capable of meeting his needs.

A consequence of the free market element of FFS is that it implements the ultimate accountability system onto the Agency. In a free market system, if an organization fails to satisfy the customer, the customer is free to find another service provider, a point foot stomped by Mrs. Falvin when she said that PMOs"…have the option of doing the work themselves or hiring private sector consultants…"[30]

The Transportation Command (TRANSCOM) provides an excellent example of the how funding mechanisms work in a working capital fund organization. TRANSCOM is similar to DCMA in that both organizations are sovereign agencies of the Department of Defense that service all branches of the armed forces as well as other federal government and state government organizations. When a defense department organization needs the services of TRANSCOM they will transfer operating funds from their organization to the indefinite operating fund account of the Transportation Command. The amounts of funds transferred are agreed upon by both organizations by using published predetermined overhead rates and direct costs for the method of transportation (ship, contract aircraft services, etc.).

By applying a FFS structure to DCMA, the PMO would identify the CM services that they determine necessary and fund DCMA accordingly, just as TRANSCOM provides their services to the Defense Department.

This recommended solution would not be complete without mentioning the existing precedence for FFS within DCMA. FFS is currently being used by a NASA to reimburse DCMA for CM services[31]. Under this agreement, CMOs are required to document and periodically report the total number of hours used in support of NASA.

---

[29] "Oversight Overhaul" by George Cahlink dated 15 Jun 2005. Accessed from http://www.dcma.mil/communicator/files/DCMA_Oversight_Overhaul.pdf on 20 Sep 05.

[30] Same as 35.

[31] Amendment to the Agreement Between NASA and DoD for Reimbursing DoD for Contract Administration, Contract Audit and Related Support Services Provided in Support of NASA Contracts. Dated 27 Oct 04.

These hours are then billed to NASA at the rates agreement to under the current fiscal year pricing agreement.

A Working Capital funding structure would create an environment in which DCMA would thrive on performing CM services while simultaneously allowing the program manager's of large value programs to have more control of the oversight that DCMA provides.

It is notable that this recommendation applies only to the DCMA Plant offices. The reason for this discrimination is that the Plants have been stood up in support of a major program or group of programs located at a specific contractor's plant. Each of program is managed by a PMO that can identify and pay for the CM resources required by the program.

GEOs have been excluded from this recommendation for the two following reasons:

1. Continued Operations & Maintenance (O&M) funding of the GEOs would ensure at least a consistent source of funding for DCMA;
2. GEOs perform CM functions for contracts that are not covered by a specified PMO to direct the FFS requirements.

Notwithstanding the afore-mentioned distinction between the applicability of the FFS to Plants and GEOs, the question remains "what minimum service levels (with associated funding) will be required by DCMA Plants to meet minimum operating costs?" To adequately respond to this issue in a purely free market manner (understandably idealistic) would be to simply say that if the Plants fail to perform to their customer's needs, the given Plant will fail! The end-state is similar to any other organization that consistently fails to meet its customer's needs. The laws of supply and demand would ensure that another organization (governmental or commercial), capable of performing the CM functions, would step up and fulfill the mission previously accomplished by the given DCMA Plant office. This is the essence of a free market system in its purest, and most idealistic, sense. It is once again relevant to reiterate the necessity for Agency transformation as stressed by General Harrington when he said "...if you think change is difficult – try irrelevancy!"

In a more realistic sense, understanding that the DoD doesn't operate in a purely free market system, the PMOs could be required to fund the Plant offices, at least during an initial transitional period at a minimal level to ensure the Plant's operating costs are covered. This could be accomplished via the identification of minimum CM functions required of DCMA (such as those CM functions outlined in FAR 42.302(a) (ATTACHMENT B).

THIS PAGE INTENTIONALLY LEFT BLANK

V: THE QUESTION OF REDUNDANCY

The Author's contention has been that the services provided by DCMA in support of the PMO is redundant and consists of tasks that are currently being done by others (either on PMO staff or on the contractor's staff). The following question emerges: Is this an intended redundancy or an unintended inefficiency?

Two potential answers to this question are explored in this section. (1) The DoD acquisition leadership intended this redundancy as a safe guard over the tax payers dollars or (2) This redundancy has emerged over time as an unintended inefficiency.

(1). What if the DoD acquisition leadership actually intended DCMA to perform functions similar and often redundant to those performed by the PMO? One could argue that this could be a good thing in terms of protecting lives of our troops. This argument would further identify the fact that the DoD acquisition world differs from its commercial counterpart in that the acquisitions made in the DoD, more often than not, have a direct impact on life or death!

This argument could also contend that the DoD acquisition system, like many other critical systems (space shuttle, air planes, submarines, etc.), requires redundant systems to ensure its success and the benefits paid for these redundancies far out weigh any associated costs.

(2). What if this redundancy is a unintended inefficiency? The other side of this argument is that DCMA, for a myriad of reasons, has become an unintended inefficiency. Argument (1) states that the DoD acquisition system is unique given its direct effects on the livliehood of our Soldiers, Marines, Sailors, and Airmen. This argument would reject this contention and identify the fact that many civilian "programs" also have a direct impact on life and death and are produced without any DCMA-like oversight at very high degrees of both safety and efficiency.

The Author's spoke to two senior level leaders from two large, but different, DoD contractors (BAE Systems and Raytheon) and a former DCMA Commander. Both of the civilian leaders stated that their primary contact for their programs of responsibility were the PMO. They both further stated that they did have DCMA plant offices but that

the PMO remained their primary point of contact quite simply because "…they controlled the money." This fact was further foot-stomped by the former DCMA Commander that was interviewed when stated that he felt as if "…DCMA was a third party to a two party dance."

Now the counter argument, presumably similar to the opinions many DMCA proponents, would be that DCMA performs a critical function in support of the Warfighter. In fact, the Agency's own website states that "We are the Department's [DoD] contract manager, responsible for ensuring Federal acquisition programs, supplies, and services are delivered on time, within cost or price, and meet performance requirements.[32]" If DCMA is performing this function, then why do many contractors by pass their in-house Plant offices to contact the PMO who is, in many cases, in a totally different state?

The Author's contend that the answer to this question is simply because DCMA, in its current application, is indeed redundant to the PMO. It is understandable that the Agency proponents would argue that DCMA performs a valuable service to the Warfighter and the taxpayer and this maybe true but at what cost? If the exact functions of a Plant CMO can be replaced or performed by the PMO or Contractor, then are we indeed doing the Warfighter and the taxpayer a disservice by allowing this redundancy?

The final argument in support of the contention that DCMA, in its current application, is redundant is the fact that the FAR is silent to this need for redundancy. That's right, FAR part 42 (ATTACHMENT B), the exhaustive list of required and elective functions to be performed by DCMA says nothing about the necessity for DCMA to be redundant to the PMO. Furthermore, nowhere in the more that 1,973 pages of the FAR[33] does it mention the need for this redundancy.

---

[32] www.dcma.mil. Accessed 8 Nov 05.

[33] http://www.arnet.gov/far/current/pdf/FAR.book.pdf. Accessed 8 Nov 05.

VI: DATA ANALYSIS

At the heart of this project is the comparison of staffing resources dedicated to the contract management tasks that are currently requested to ensure the successful acquisition of high-cost, critical weapon systems and mission-essential DoD equipment. Successful acquisition can be defined as providing weapon systems and mission essential equipment that meets the performance requirements of the contract (performance criteria), is with-in budget (cost criteria), and is delivered to the war-fighter on time (schedule criteria).

Recent debate, inspired by the U.S. Air Force's controversial attempt at leasing refuel tanker aircraft, in the congress has resulted in influential members of both the House of Representatives and the Senate calling for an increase to contractor oversight regarding the acquisition of large weapon systems and DoD equipment. Senator John McCain has been one of the most vocal critics of DoD acquisition Program Management.[34] The Washington Post reported that "The Air Force's problems are a 'glaring example of a management and oversight failure in our acquisition process…clearly, we need to examine the whole procurement process as it works today in the Department of Defense[35]."

The following data analysis resulted from comparing staffing resources of both the PMO and the corresponding DCMA PST. It is the Authors' contention that this data will provide evidence that DCMA is performing costly and redundant tasks at the Plant CMO level that do not provide the beneficial oversight that the Congress is calling for. It is important to note that the research has revealed that DCMA performs core contract management functions that are vital to successful acquisition programs for the DoD and no cost effective replacement for the Agency exist. However, there is a large quantity of staffing that DCMA dedicates to performing tasks that provide questionable benefit to the PMO and the overall mission of DoD acquisition, as outlined and directed by DoD Directive 5000.1. It is these tasks that this research is aimed at reducing.

---

[34] www.mccain.senate.gov, Office of Senator John McCain, press release 14 Apr 03.

[35] Washington Post. McCain Seeks Review Of Pentagon Buying. 15 Apr 05.

The data analysis identifies the staffing FTEs of staffing that the PMO and DCMA should examine to determine its value and necessity. As identified in the Research Methods chapter, the FTEs identified for elimination will be multiplied by the NASA rate. Under the proposed FFS system, the monies saved by the PMO will equate to a dollar for dollar savings directly attributable to the analyzed program. The dollar figures of the potential savings are not the ultimate goal of the project, but the identified savings serve as measurements of the magnitude of the choice that the PMs face in evaluating the CM services that DCMA provides.

The data of current staffing resources used in management and oversight of contracts associated with large acquisition programs was requested of nine program offices and the corresponding DCMA Plant offices located in the contractor's facility that services these programs. The nine programs are: Patriot Missile (lower tier), Theater High-Altitude Air Defense (THAADS), Standard Missile, AIM-9X Missile, Tomahawk Missile, F-18, C-17, F-22, and C-130J. The F-18, did not provide staff resourcing data in time for the data analysis to be conducted. The DCMA PST resourcing, which supported both of these programs, was provided. These programs were analyzed with the assumption that the Program Office staffing levels were similar to that of the C-17 program given that both programs are the same maturity, size and similar types of contracts are currently being utilized.

1.) The Analysis of the THAADS Program:

Position	**FTE**	**Assignment**
Program Management	6	1 in each product office, 3 in Project Management
Engineers	169	Evenly distributed throughout product offices
Contract Management Specialists	12	8 configuration management, others distributed
Business Professionals	47	Contracting Officers, Budget and Cost Analysts
Information Technology	16	IT support Office
Logistics Specialists	24	11 in Sustainment office, remainder evenly distributed
Total PMO FTEs	**274**	

Figure 3. THAADS PMO FTE Breakdown

Position	FTE	Assignment
Program Integrator	5	1 primary, and 4 SPIs in Andover, and Huntsville
Administrative Contracting Officer	3	1 for each DCMA Office
Deputy Program Integration	1	Assistant to primary
Engineers	5	throughout program
Software Specialists	6	throughout program
Logistics Specialists	5	throughout program
Property Managers	4	throughout program
Industrial Specialists	3	throughout program
Supply Cain Management	1	Sunnyvale Office
Earned Value Management	4	throughout program
Quality Assurance Specialists	6	throughout program
Total DCMA FTEs	**43**	

Figure 4. THAADS DCMA FTE Breakdown

The majority of resources that DCMA dedicates to THAADS are spread over three separate commands. The primary office is located at the DCMA Lockheed Martin Sunnyvale Command and the Commands of DCMA Raytheon Andover and DCMA Huntsville serve as supporting offices. The staffing redundancies are evident in the following Contract Management Positions:

Program Integration – The Program Office has a management staffing of six spread throughout each of the product offices as well as the main PMO. The Program Office can work with the DCMA Supervisors to maintain communication with the various DCMA personnel performing services for the THAADS Program.

Elimination Potential: 6 Program Integration FTE's.

Engineers – The Program Office has 169 FTEs dedicated as Engineers throughout the all the product offices, and in a program that has significant contracts for System Design and Development that the Program Office engineers are highly engaged in. The PST does have a need for engineers within the team that can support the ACO for purposes of negotiation and pricing, but five engineers appears excessive and is evidence of redundant task performance.

Elimination Potential: 3 Engineer FTE's.

Software Specialists – PMO has significant resources, all 6 FTEs of the DCMA PST are redundant task performance.

Elimination Potential: 6 Software Specialists FTEs.

Logistics Specialists – PMO has significant business management resources, all five FTEs of the DCMA PST are redundant. A large contractor has extensive experience in product development and manufacturing and a PST that performs Contract Management functions regarding large contractors does not need the services of an Industrial Specialists. Industrial Specialists are more necessary for surveillance of small businesses that do not possess the resources of a large contractor like Lockheed Martin. The Logistics Specialists can perform the tracking of deliveries and contract progress that the Industrial Specialists are most likely engaged in.

Elimination Potential: 2 Logistics Specialists FTE's, 3 Industrial Specialist FTEs.

Supply Chain Management – PMO has significant resources in business office and each product office has its own business management professional, the one FTE of the DCMA PST is redundant task performance.

Elimination Potential: 1 Supply Chain Management FTE.

Earned Value Management – PMO has significant business management resources and contract requirements dictate that EVM data is delivered to the PMO; all four FTEs of the DCMA PST are redundant task performance.

Elimination Potential: 4 Earned Value Management FTE's.

Savings:

A) 6 Program Integration FTEs x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $1,168,320

B) 3 Engineer FTEs x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $584,160

C) 6 Software Specialists x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $1,168,320

D) 2 Logistics Specialists x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $389,440

E) 1 Supply chain Management x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $194,720

F) 4 Earned Value Management FTEs x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $778,880

2.) The Analysis of the Patriot Missile (Lower Tier) Program:

Position	**FTE**	**Assignment**
Program Management	3	1 Program Manager, 1 Asst, 1 PM directorate
Engineers	63	Evenly distributed throughout product offices
Contract Management Specialists	11	Acquisition Management Directorate
Business Professionals	40	Program Evaluation, resource management
Configuration Management	4	Product Directorate
Logisticians	24	distributed in program
Total PMO FTEs	**145**	

Figure 5. Patriot Missile PMO FTE Breakdown

Position	FTE	Assignment
Program Integrator	1	Primary
Administrative Contracting Officer	1	Primary
Contract administrator	2.5	Sustainment contracts
Engineers	1	Primary
Software Specialists	1	Primary
Industrial Specialists	1.5	Sustainment Contracts
Quality Assurance Specialists	1.5	Primary
Total DCMA FTEs	**9.5**	

Figure 6. Patriot Missile DCMA FTE Breakdown

The majority of resources that DCMA dedicates to the Patriot Missile (Lower Tier) program are performed at the primary office located at DCMA Raytheon Andover located in the Raytheon facility in Andover, MA. The staffing redundancies are evident in the following Contract Management Positions:

Program Integrator – The Program Office has a management staffing of three PMs spread throughout the PMO and also within the Program Management Directorate. The Program Office management staff can work with the DCMA Supervisors the maintain communication with the various DCMA personnel performing services for the Patriot Missile (Lower Tier) Program.

Elimination Potential: 1 Program Integration FTE's

Software Specialists – PMO has significant resources in the Engineering staffing that is are currently engaged in software development; the one FTE in the DCMA PST is redundant task performance.

Elimination Potential: 1 Software Specialists FTE's

Industrial Specialists – The primary contractor for the program, Raytheon Andover, MA, is of sufficient size and has a proven capability to perform this contract; therefore, an Industrial Specialist for this program is unnecessarily provided by DCMA and should be replaced with Procurement Technicians for potential savings due to lower labor rates for the Procurement Technicians.

Elimination Potential: 1.5 Industrialist Specialists FTEs

Additional FTEs: 1.5 Procurement Technicians

Savings:

A) 1 Program Integration FTEs x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $194,720

B) 1 Software Specialists x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $194,720

C) 1.5 Industrial Specialist x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $292,080

D) Addition: 1.5 Procurement technicians FTE x NASA rate (97.36) x 40 hours/week x 50 weeks

Addition: $292,080

3.) The Analysis of the F-22 Raptor Program:

Position	**FTE**	**Assignment**
Program Management	19	2 in lead office, 2 to 3 in each IPT
Engineers	180	Evenly distributed throughout product offices
Contract Management Specialists	24	all in contract management division
Business Professionals	56	Financial Management, Acquisition and Sustainment
Information Technology	19	IT support/Help desk
Logisticians	35	Sustainment Division
Total PMO FTEs	**333**	

Figure 7. F-22 PMO FTE Breakdown

Position	FTE	Assignment
Program Integrator	3	1 primary, and 2 SPIs in Seattle and Fort Worth
Administrative Contracting Officer	3	1 for each DCMA Office
Contract Administrators	2	1 in primary, 1 in Seattle
Deputy Program Integration	1	Assistant to primary
Engineers	9	throughout program
Software Specialists	1	throughout program
Logistics Specialists	2	throughout program
Property Managers	1	throughout program
Industrial Specialists	4	throughout program
Management Analyst	1	In primary office
Earned Value Management	3	throughout program
Quality Assurance Specialists	15	throughout program
Total DCMA FTEs	**45**	

Figure 8. F-22 DCMA FTE Breakdown

The majority of resources that DCMA dedicates to the F-22 Raptor Program are spread over three separate commands. The primary office is located at the DCMA Lockheed Martin Marietta Command and the commands of DCMA Boeing Seattle and DCMA Lockheed Martin Fort Worth serve as supporting commands. The staffing redundancies are evident in the following Contract Management Positions:

Program Integration – The Program Office has a management staffing of nineteen spread throughout each of the product offices as well as the main PMO. The Program Office can work with the DCMA Supervisors (Team Chiefs and Team Leads) to maintain communication with the various DCMA personnel performing services for the F-22 Raptor Program.

Elimination Potential: 4 Program Integration FTE's

Engineers – The Program Office has 180 FTEs dedicated as Engineers throughout the all the product offices, and in a program that has significant contracts for System Design and Development, the Program Office engineers are highly engaged. The PST does have a need for engineers within the team that can support the ACO for purposes of negotiation and pricing, but nine engineers is excessive and is evidence of redundant task performance.

Elimination Potential: 6 Engineer FTE's

Software Specialists – PMO has significant resources, the one FTE of the DCMA PST is redundant task performance.

Elimination Potential: 1 Software Specialists FTE's

Logistics Specialists – PMO has significant resources, both FTEs of the DCMA PST are redundant task performance. A large contractor has extensive experience in product development and manufacturing and a PST that performs Contract Management functions regarding large contractors does not need the services of an Industrial Specialists. Industrial Specialists are more necessary for surveillance of small businesses that do not possess the resources of a large contractor like Lockheed Martin. The Procurement Technicians can perform the tracking of deliveries and contract progress that the Industrial Specialist is most likely engaged in.

Elimination Potential: 2 Logistics Specialists FTEs, 4 Industrial Specialists FTEs

Addition: 4 Procurement Technicians FTEs

Management Analyst– PMO has significant resources; the one FTE of the DCMA PST is redundant task performance.

Elimination Potential: 1 Management Analyst FTE

Earned Value Management – PMO has significant business management resources and contract requirements dictate that EVM data is delivered to the PMO; all 4 FTEs of the DCMA PST are redundant task performance.

Elimination Potential: 3 Earned Value Management FTEs

Savings:

A) 4 Program Integration FTEs x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $778,880

B) 6 Engineer FTEs x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $1,168,320

C) 1 Software Specialists x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $194,720

D) 2 Logistics Specialists x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $389,440

E) 1 Management Analyst x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $194,720

F) 3 Earned Value Management FTEs x NASA rate (97.36) x 40 hours/week x 50 weeks = annual

savings

Annual Savings = $584,160

G) 4 Industrial Specialist FTEs x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $778,880

H) Addition: 4 Procurement Technician FTEs x NASA rate (97.36) x 40 hours/week x 50 weeks

Addition = $778,880

4.) The Analysis of the C-17 Program:

Position	FTE	Assignment
Program Management	7	3 in lead office, 1 to 2 in each division
Engineers	62	Engineering and Modernization divisions
Contract Management Specialists	14	all in contract management division
Business Professionals	37	Finance, logistics, and Modernization divisions
Logisticians	10	Logistics Division
Total PMO FTEs	**130**	

Figure 9. C-17 PMO FTE Breakdown

Position	FTE	Assignment
Program Integrator	1	Lead Program Integrator
Administrative Contracting Officer	2.25	1 for each DCMA Office
Contract Administrators	6.5	Throughout Program
Deputy Program Integrators	5	Assistant Program Integrators, Throughout Program
Engineers	14	Includes Computer, Aeronautical, Industrial, Electrical
Software Specialists	5	Throughout Program
Logistics Specialists	1	Throughout Program
Industrial Specialists	1	Throughout Program
Financial Specialist	.75	Throughout Program
Quality Assurance Specialists	15	Throughout Program
Procurement Technician	2.25	Throughout Program
Property Management	1.5	Throughout Program
Total DCMA FTEs	**55.25**	

Figure 10. C-17 DCMA FTE Breakdown

The majority of resources that DCMA dedicates to the C-17 Program are spread over two commands. The primary office is located at the DCMA Lockheed Martin Marietta Command and DCMA Boeing St Louis is a supporting command. The staffing redundancies are evident in the following Contract Management Positions:

Program Integration – The Program Office has a management staffing adequately spread throughout the PMO. The Program Office can work with the DCMA Supervisors (Team Chiefs and Team Leads) to maintain communication with the various DCMA personnel performing services for the C-130J Program.

Elimination Potential: 6 Program Integration FTEs

Engineers – The Program Office has 62 FTEs dedicated as Engineers throughout the all the Program office. The PST does have a need for engineers within the team that can support the ACO for purposes of negotiation and pricing, but 14 engineers is excessive and is evidence of redundant task performance.

Elimination Potential: 11 Engineer FTE's

Software Specialists – PMO has significant resources, the five FTEs of the DCMA PST is redundant task performance.

Elimination Potential: 5 Software Specialists FTEs

Logistics Specialists/Industrial Specialists – PMO has significant resources dedicated to logistics, the one FTE of the DCMA PST is redundant task performance. A large contractor has extensive experience in product development and manufacturing and a PST that performs Contract Management functions regarding large contractors does not need the services of an Industrial Specialists. The one FTE for the Industrial Specialist provided by DCMA is evidence of redundant task performance. The order tracking functions can be performed by Procurement Technicians at a lower labor rate.

Elimination Potential: 1 Logistics Specialists FTEs, 1 Industrial Specialist FTE

Addition: 1 Procurement Technician to replace Industrial Specialists at a lower labor rate.

Financial Specialist– PMO has significant business management resource; the one FTE of the DCMA PST is redundant task performance.

Elimination Potential: 1 Financial Analyst FTE

Savings:

A) 6 Program Integration FTEs x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $1,168,320

B) 11 Engineer FTEs x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $2,141,920

C) 5 Software Specialists x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $973,600

D) 1 Logistics Specialists x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $194,720

E) 1 Financial Analyst x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $194,720

F) 1 Industrial Specialist FTE x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $194,720

G) Addition: 1 Procurement Technician FTE x NASA rate (97.36) x 40 hours/week x 50 weeks

Addition = $194,720

5.) The Analysis of the C-130J Program:

The data concerning the staffing resources of the C-130J was not received by the program office, but the staffing rescores of the PST was provided by DCMA Lockheed Martin Marietta. For purposes of comparison, the Authors make the assumption that C-130J and the C-17 programs are similar in size and total contract value, and use the similar staffing resources. For the purpose of determining redundancy in task performance, the staffing resource data provided from the C-17 program office was used as a substitute for the staffing resource data needed for the C-130J.

Position	FTE	Assignment
Team Supervisors	2	Supervision
Program Integrator	2	Lead Program Integrators
Administrative Contracting Officer	2	1 for Sustainment, 1 for Production
Contract Administrators	6	throughout program
Engineers	6	Includes Computer, Aeronautical, Industrial, Electrical
Software Specialists	4	Throughout Program
Industrial Specialists	2	Throughout Program
Quality Assurance Specialists	11	Throughout Program
Procurement Technician	4	Throughout Program
Total DCMA FTEs	**39**	

Figure 11. C-130J PMO FTE Breakdown

The majority of resources that DCMA dedicates to the C-130J Program are concentrated in DCMA Lockheed Martin Marietta. The staffing redundancies are evident in the following Contract Management Positions:

Program Integration – The Program Office has a management staffing that is adequately spread throughout the PMO. The Program Office can work with the DCMA Supervisors (Team Chiefs and Team Leads) to maintain communication with the various DCMA personnel performing services for the C-130J Program.

Elimination Potential: 2 Program Integration FTEs

Engineers – The Program Office has adequate engineers dedicated throughout the Program office. The PST does have a need for engineers within the team that can support the ACO for purposes of negotiation and pricing, but six engineers is excessive and is evidence of redundant task performance.

Elimination Potential: 4 Engineer FTEs

Software Specialists – PMO has significant resources, the 4 FTEs of the DCMA PST is redundant task performance.

Elimination Potential: 4 Software Specialists FTEs

Industrial Specialists – A large contractor has extensive experience in product development and manufacturing, and a PST that performs Contract Management functions regarding large contractors does not need the services of an Industrial

Specialists. The one FTE for the Industrial Specialist provided by DCMA is evidence of redundant task performance. The order tracking functions can be performed by Procurement Technicians at a lower labor rate.

Elimination Potential: 2 Industrial Specialists FTEs

Addition: 2 Procurement Technician FTEs

Savings:

A) 2 Program Integration FTEs x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $389,440

B) 4 Engineer FTEs x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $778,880

C) 4 Software Specialists x NASA rate (97.36) x 40 hours/week x 50 weeks = annual saving

Annual Savings = $778,880

D) 2 Industrial Specialist FTE x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $389,440

E) Addition: 2 Procurement Technician FTE x NASA rate (97.36) x 40 hours/week x 50 weeks

Addition = $389,440

6.) The Analysis of the F/A-18/EA-18G Program:

Position	**FTE**	**Assignment**
Program Management	40	10 level I, 30 level II
Engineers	212	Evenly distributed throughout all level division
Contract Management Specialists	32	Service to all level II divisions
Business Professionals	58	Financial Management, Acquisition and Sustainment
Information Technology	19	IT support/Help desk
Logisticians	35	Logistics/Maintenance
Total PMO FTEs	**396**	

Figure 12. F-18 PMO FTE Breakdown

Position	FTE	Assignment
Program Integrator	1	primary
Administrative Contracting Officer	3	Readiness, Systems and Corporate team
Contract Administrators	12	Readiness and Systems Team
Engineers	11	Operations and Engineering Support Team
Software Specialists	2	Engineering Support Team
Property Managers	1	Corporate Support Team
Industrial Specialists	3	Operations
Procurement Technicians	6	Operations
Management Analyst	1	Corporate Support Team
Quality Assurance Specialists	15	Operations and Manufacturing Team
Total DCMA FTEs	**55**	

Figure 13. F-18 DCMA FTE Breakdown

The majority of resources that DCMA dedicates to the F/A-18/EA-18G Program are located at DCMA Boeing St. Louis. The staffing redundancies are evident in the following Contract Management Positions:

Program Integration – The Program Office has a management staffing of forty spread throughout each of the product offices as well as the main PMO. The Program Office can work with the DCMA Supervisors (Team Chiefs and Team Leads) to maintain communication with the various DCMA personnel performing services for the F/A-18/EA-18G Program.

Elimination Potential: 1 Program Integrator FTE

Engineers – The Program Office has 212 FTEs dedicated as Engineers throughout the all the level II divisions, and in a program that has significant contracts for System Design and Development, the Program Office engineers are highly engaged. The PST does have a need for engineers within the team that can support the ACO for purposes of negotiation and pricing, but 11 engineers is excessive and is evidence of redundant task performance.

Elimination Potential: 8 Engineer FTE's

Software Specialists – PMO has significant resources, the two FTEs of the DCMA PST is redundant task performance.

Elimination Potential: 2 Software Specialists FTEs

Industrial Specialists- A large contractor, such as Boeing, has extensive experience in product development and manufacturing and a PST that performs Contract Management functions regarding large contractors does not need the services of an Industrial Specialists. The three FTEs for the Industrial Specialist provided by DCMA is evidence of redundant task performance. The order tracking functions can be performed by Procurement Technicians at a lower labor rate.

Elimination Potential: 3 Industrial Specialists FTEs

Addition: 3 Procurement Technician FTEs

Management Analyst– PMO has significant business management resources; the one FTE of the DCMA PST is redundant task performance.

Elimination Potential: 1 Management Analyst FTE

Savings:

A) 1 Program Integration FTE x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $194,720

B) 8 Engineer FTEs x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $1,557,760

C) 2 Software Specialist FTEs x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $389,440

D) 1 Management Analyst FTEs x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $194,720

E) 3 Industrial Specialist FTEs x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $584,160

F) Addition: 3 Procurement Technician FTEs x NASA rate (97.36) x 40 hours/week x 50 weeks

Addition = $584,160

7.) The Analysis of the Tomahawk Missile Program:

Position	**FTE**	**Assignment**
Program Management	10	1 Program Manager, 1 Asst, 1 PM directorate
Engineers	31	Electrician, Aeronautical, Systems and Flight test
Procurement Contracting Officer	2	1 PCO, and 1 Supervisor
Contract Management Specialists	10	Support PCO
Business Professionals	37	Budget, Finance, management analysis
Configuration Management	5	System Engineering and Integration
Logisticians	24	Logistics
Total PMO FTEs	**119**	

Figure 14. Tomahawk PMO FTE Breakdown

Position	**FTE**	**Assignment**
Program Integrator	1	primary
Administrative Contracting Officer	1	primary
Contract administrators	2.5	Depot and Procurement contracts
Engineers	2	Depot and Procurement contracts
Software Specialists	1	Depot and Procurement contracts
Industrial Specialists	1	Depot and Procurement contracts
Procurement Technician	1.5	Depot contracts
Quality Assurance Specialists	2	Depot and Procurement contracts
Total DCMA FTEs	**12**	

Figure 15. Tomahawk DCMA FTE Breakdown

The majority of resources that DCMA dedicates to the Tomahawk Missile Program are located at DCMA Raytheon Tucson. The staffing redundancies are evident in the following Contract Management Positions:

Program Integration – The Program Office has a management staffing of ten spread throughout each of the division offices as well as the main PMO. The Program Office can work with the DCMA Supervisors (Team Chiefs and Team Leads) to maintain

communication with the various DCMA personnel performing services for the Tomahawk Missile Program.

Elimination Potential: 1 Program Integrator FTE

Software Specialists – PMO has significant resources, the Software Specialist FTE of the DCMA PST is redundant task performance.

Elimination Potential: 1 Software Specialist FTE

Industrial Specialists- A large contractor, such as Raytheon, has extensive experience in product development and manufacturing and a PST that performs Contract Management functions regarding large contractors does not need the services of an Industrial Specialists. The one FTE for the Industrial Specialist provided by DCMA is evidence of redundant task performance. The order tracking functions can be performed by a Procurement Technician at a lower labor rate.

Elimination Potential: 1 Industrial Specialist FTE

Addition: 1 Procurement Technician FTE

Savings:

A) 1 Program Integration FTE x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $194,720

B) 1 Software Specialist FTE x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $194,720

C) 1 Industrial Specialist FTE x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $194,720

D) Addition: 1 Procurement Technician FTE x NASA rate (97.36) x 40 hours/week x 50 weeks

Addition = $194,720

8.) Analysis of the Standard Missile (SM2 & SM6) Program:

Position	FTE	Assignment
Program Management	3	Throughout Program
Engineers	19	Throughout Program
Procurement Contracting Officer	1	NAVSEA staff
Contract Management Specialists	3	Support PCO
Business Professionals	8	throughout program
Configuration Management	1	SM6
Logicians	1.5	Logistics
Total PMO FTEs	**36.5**	

Figure 16. Standard Missile PMO FTE Breakdown

Position	FTE	Assignment
Program Integrator	.5	Primary
Administrative Contracting Officer	1	Primary
Contract administrators	3	Depot and Procurement contracts
Engineers	1	System Development contracts
Industrial Specialists	1	Depot and Procurement contracts
Procurement Technician	.5	Depot contracts
Quality Assurance Specialists	1	SM2 Depot
Total DCMA FTEs	**8**	

Figure 17. Standard Missile DMCA FTE Breakdown

The majority of resources that DCMA dedicates to the Standard Missile Program are located at DCMA Raytheon Tucson. The staffing redundancies are evident in the following Contract Management Positions:

Program Integration – The Program Office has a management staffing of three spread throughout each of the product divisions of the PMO. The Program Office can work with the DCMA Supervisors (Team Chiefs and Team Leads) to maintain communication with the various DCMA personnel performing services for the Tomahawk Missile Program.

Elimination Potential: .5 Program Integrator FTE

Industrial Specialists- A large contractor, such as Raytheon, has extensive experience in product development and manufacturing and a PST that performs Contract Management functions regarding large contractors does not need the services of an Industrial Specialists. The one FTE for the Industrial Specialist provided by DCMA is

evidence of redundant task performance. The order tracking functions can be performed by a Procurement Technician at a lower labor rate.

Elimination Potential: 1 Industrial Specialist FTE

Addition: 1 Procurement Technician FTE

Savings:

A) .5 Program Integration FTE x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $97,360

B) 1 Industrial Specialist FTE x NASA rate (97.36) x 40 hours/week x 50 weeks = annual savings

Annual Savings = $194,720

C) Addition: 1 Procurement Technician FTE x NASA rate (97.36) x 40 hours/week x 50 weeks

Addition = $97,360

Summary of DCMA Elimination Potential:

The following DCMA positions were selected as potential elimination:

The Earned Value Management Specialists, Management Analyst, Supply Chain Management Specialist, Logistics Specialists and Financial Analysis are positions used for contractor surveillance of the performance of Business Management functions. Regulations regarding the formation of large contracts mandate contract terms that require contractors to submit cost and financial data to the PMO, and the PMO are required to monitor the contractor's performance regarding cost and schedule performance. In response to these requirements, the PMO has a large staff of business management positions to meet these requirements.

The Program Integrator position is primary a customer service position for communication and coordination between the PST of DCMA and the PMO, and tracking and reporting the DCMA assessment of risk analysis regarding contractor performance. The Program Integrator also has extensive reporting requirements that are only meant for DCMA's internal requirements and serve no purpose to the PMO.

The PMO has adequate resources to perform these tasks and there is no protocol or regulations that prohibit individuals within the PMO to contact the PST.

Engineer and Software Specialist/Engineer have a vital role in helping the Administrative Contracting Officer perform the contracting functions that the Procuring Contracting Officer has directly requested, but there is no requirement for engineering surveillance of contracts when the PMO is performing those functions for themselves.

The Industrial Specialist is primarily meant to determine and monitor the capacity and ability the of contractor's facility and workforce to successful meet the demands of the contracts from the DoD. Large contractors such as Raytheon or Boeing can easily show the resources needed to complete contracts with the DoD. The real value that can gain from the expertise of the Industrial Specialists is providing surveillance to contracts that are being performed by small businesses that do not possess the vast resources of a large contractor. The task of tracking contract schedules of performance and deliveries can be performed by Procurement Technicians at a lower labor rate.

Summary of Savings:

Total THAADS Program Savings = $2,726,080

Total Patriot Missile (Lower Tier) Savings = $389,440

Total F-22 Program Savings = $3,310,240

Total C-17 Program Savings = $4,673,280

Total C-130J Program Savings = $1,947,200

Total F/A-18/EA-18G Program Savings = $2,336,640

Total Tomahawk Missile Program Savings = $389,440

Total Standard Missile (SM2 and SM6) Program Savings = $194,720

Grand Total of FFS Savings = $15,967,040.00.

ATTACHMENT A. AUTHOR'S PROFESSIONAL EXPERIENCE

LCDR DAN WILCOX, USN: Assigned to DCMA Raytheon Tucson AZ, from June 2002 to June 2004, as an Administrative Contracting Officer (ACO) and Program Integrator for the Tomahawk Missile Program. From December 2002 to June 2003 LCDR Dan Wilcox was deployed to Al Udeed Air Base in Quatar in support of the Air Force Contract Augmentation Program as an ACO for construction services.

CAPT JAMIE RHONE, USAF: Assigned to DCMA Long Island NY in Jun 2002 as the Chief of Program Integration. In this capacity, he managed 13 Program Integrators responsible for integrating multidisciplinary teams of contractors and government employees to successfully produce the end product. Capt Rhone was later promoted to the Deputy Operations Chief. In this position, he led 10 Team Leaders (responsible for 300+ member multidisciplinary government workforce) to successfully perform contract management functions to meet and exceed customer requirements.

LCDR Wilcox and Capt Rhone had primary missions to ensure that the interests of each of his three customers (PMs, Warfighters, and Tax Payers) were either met or exceeded.

Efforts supported OPERATION NORTHERN WATCH, OPERATION SOUTHERN WATCH, OPERATION IRAQI FREEDOM, and OPERATION ENDURING FREEDOM.

THIS PAGE INTENTIONALLY LEFT BLANK

ATTACHMENT B. FAR 42

Federal Acquisition Regulation (FAR) Part 42.0 defines DCMA's functions. When a contract is assigned for administration under Subpart 42.2, the contract administration office (CAO) shall perform contract administration functions in accordance with 48 CFR Chapter 1, the contract terms, and, unless otherwise agreed to in an interagency agreement (see 42.002), the applicable regulations of the servicing agency.

42.302 Contract administration functions.

(a) The contracting officer normally delegates the following contract administration functions to a CAO. The contracting officer may retain any of these functions, except those in paragraphs (a)(5), (a)(9), and (a)(11) of this section, unless the cognizant Federal agency (see 2.101) has designated the contracting officer to perform these functions.

(1) Review the contractor's compensation structure.

(2) Review the contractor's insurance plans.

(3) Conduct post-award orientation conferences.

(4) Review and evaluate contractors' proposals under Subpart 15.4 and, when negotiation will be accomplished by the contracting officer, furnish comments and recommendations to that officer.

(5) Negotiate forward pricing rate agreements (see 15.407-3).

(6) Negotiate advance agreements applicable to treatment of costs under contracts currently assigned for administration (see 31.109).

(7) Determine the allowability of costs suspended or disapproved as required (see Subpart 42.8); direct the suspension or disapproval of costs when there is reason to believe they should be suspended or disapproved; and approve final vouchers.

(8) Issue Notices of Intent to Disallow or not Recognize Costs (see Subpart 42.8).

(9) Establish final indirect cost rates and billing rates for those contractors meeting the criteria for contracting officer determination in Subpart 42.7.

(10) Attempt to resolve issues in controversy, using ADR procedures when appropriate (see Subpart 33.2); prepare findings of fact and issue decisions under the Disputes clause on matters in which the administrative contracting officer (ACO) has the authority to take definitive action.

(11) In connection with Cost Accounting Standards (see 30.601 and 48 CFR Chapter 99 (FAR Appendix)):.

(i) Determine the adequacy of the contractor's disclosure statements;

(ii) Determine whether disclosure statements are in compliance with Cost Accounting Standards and Part 31;

(iii) Determine the contractor's compliance with Cost Accounting Standards and disclosure statements, if applicable; and

(iv) Negotiate price adjustments and execute supplemental agreements under the Cost Accounting Standards clauses at 52.230-2, 52.230-3, 52.230-4, 52.230-5, and 52.230-6.

(12) Review and approve or disapprove the contractor's requests for payments under the progress payments or performance-based payments clauses.

(13) Make payments on assigned contracts when prescribed in agency acquisition regulations.

(14) Manage special bank accounts.

(15) Ensure timely notification by the contractor of any anticipated overrun or under run of the estimated cost under cost-reimbursement contracts.

(16) Monitor the contractor's financial condition and advise the contracting officer when it jeopardizes contract performance.

(17) Analyze quarterly limitation on payments statements and recover overpayments from the contractor.

(18) Issue tax exemption forms.

(19) Ensure processing and execution of duty-free entry certificates.

(20) For classified contracts, administer those portions of the applicable industrial security program delegated to the CAO (see Subpart 4.4).

(21) Issue work requests under maintenance, overhaul, and modification contracts.

(22) Negotiate prices and execute supplemental agreements for spare parts and other items selected through provisioning procedures when prescribed by agency acquisition regulations.

(23) Negotiate and execute contractual documents for settlement of partial and complete contract terminations for convenience, except as otherwise prescribed by Part 49.

(24) Negotiate and execute contractual documents settling cancellation charges under multiyear contracts.

(25) Process and execute notation of change of name agreements under Subpart 42.12.

(26) Perform property administration (see Part 45).

(27) Approve contractor acquisition or fabrication of special test equipment under the clause at 52.245-18, Special Test Equipment.

(28) Perform necessary screening, redistribution, and disposal of contractor inventory.

(29) Issue contract modifications requiring the contractor to provide packing, crating, and handling services on excess Government property. When the ACO determines it to be in the Government's interests, the services may be secured from a contractor other than the contractor in possession of the property.

(30) In facilities contracts-

(i) Evaluate the contractor's requests for facilities and for changes to existing facilities and provide appropriate recommendations to the contracting officer;

(ii) Ensure required screening of facility items before acquisition by the contractor;

(iii) Approve use of facilities on a noninterference basis in accordance with the clause at 52.245-9, Use and Charges;

(iv) Ensure payment by the contractor of any rental due; and

(v) Ensure reporting of items no longer needed for Government production.

(31) Perform production support, surveillance, and status reporting, including timely reporting of potential and actual slippages in contract delivery schedules.

(32) Perform pre-award surveys (see Subpart 9.1).

(33) Advise and assist contractors regarding their priorities and allocations responsibilities and assist contracting offices in processing requests for special assistance and for priority ratings for privately-owned capital equipment.

(34) Monitor contractor industrial labor relations matters under the contract; apprise the contracting officer and, if designated by the agency, the cognizant labor relations advisor, of actual or potential labor disputes; and coordinate the removal of urgently-required material from the strikebound contractor's plant upon instruction from, and authorization of, the contracting officer.

(35) Perform traffic-management services, including issuance and control of Government bills of lading and other transportation documents.

(36) Review the adequacy of the contractor's traffic operations.

(37) Review and evaluate preservation, packaging, and packing.

(38) Ensure contractor compliance with contractual quality assurance requirements (see Part 46).

(39) Ensure contractor compliance with contractual safety requirements.

(40) Perform engineering surveillance to assess compliance with contractual terms for schedule, cost, and technical performance in the areas of design, development, and production.

(41) Evaluate for adequacy and perform surveillance of contractor engineering efforts and management systems that relate to design, development, production, engineering changes, subcontractors, tests, management of engineering resources, reliability and maintainability, data control systems, configuration management, and independent research and development.

(42) Review and evaluate for technical adequacy the contractor's logistics support, maintenance, and modification programs.

(43) Report to the contracting office any inadequacies noted in specifications.

(44) Perform engineering analyses of contractor cost proposals.

(45) Review and analyze contractor-proposed engineering and design studies and submit comments and recommendations to the contracting office as required.

(46) Review engineering change proposals for proper classification, and when required, for need, technical adequacy of design, producibility, and impact on quality, reliability, schedule, and cost; submit comments to the contracting office.

(47) Assist in evaluating and make recommendations for acceptance or rejection of waivers and deviations.

(48) Evaluate and monitor the contractor's procedures for complying with procedures regarding restrictive markings on data.

(49) Monitor the contractor's value engineering program.

(50) Review, approve or disapprove, and maintain surveillance of the contractor's purchasing system (see Part 44).

(51) Consent to the placement of subcontracts.

(52) Review, evaluate, and approve plant or division-wide small, small disadvantaged and women-owned small business master subcontracting plans.

(53) Obtain the contractor's currently approved company- or division-wide plans for small, small disadvantaged and women-owned small business subcontracting for its commercial products, or, if there is no currently approved plan, assist the contracting officer in evaluating the plans for those products.

(54) Assist the contracting officer, upon request, in evaluating an offeror's proposed small, small disadvantaged and women-owned small business subcontracting plans, including documentation of compliance with similar plans under prior contracts.

(55) By periodic surveillance, ensure the contractor's compliance with small, small disadvantaged and women-owned small business subcontracting plans and any labor surplus area contractual requirements; maintain documentation of the contractor's performance under and compliance with these plans and requirements; and provide advice and assistance to the firms involved as appropriate.

(56) Maintain surveillance of flight operations.

(57) Assign and perform supporting contract administration.

(58) Ensure timely submission of required reports.

(59) Issue administrative changes, correcting errors or omissions in typing, contractor address, facility or activity code, remittance address, computations which do not require additional contract funds, and other such changes (see 43.101).

(60) Cause release of shipments from contractor's plants according to the shipping instructions. When applicable, the order of assigned priority shall be followed; shipments within the same priority shall be determined by date of the instruction.

(61) Obtain contractor proposals for any contract price adjustments resulting from amended shipping instructions. Review all amended shipping instructions on a periodic, consolidated basis to ensure that adjustments are timely made. Except when the ACO has settlement authority, the ACO shall forward the proposal to the contracting officer for contract modification. The ACO shall not delay shipments pending completion and formalization of negotiations of revised

shipping instructions.

(62) Negotiate and/or execute supplemental agreements, as required, making changes in packaging subcontractors or contract shipping points.

(63) Cancel unilateral purchase orders when notified of non-acceptance by the contractor. The CAO shall notify the contracting officer when the purchase order is canceled.

(64) Negotiate and execute one-time supplemental agreements providing for the extension of contract delivery schedules up to 90 days on contracts with an assigned Criticality Designator of C (see 42.1105). Notification that the contract delivery schedule is being extended shall be provided to the contracting office. Subsequent extensions on any individual contract shall be authorized only upon concurrence of the contracting office.

(65) Accomplish administrative closeout procedures (see 4.804-5).

(66) Determine that the contractor has a drug-free workplace program and drugfree awareness program (see Subpart 23.5).

(67) Support the program, product, and project offices regarding program reviews, program status, program performance and actual or anticipated program problems.

(68) Monitor the contractor's environmental practices for adverse impact on contract performance or contract cost, and for compliance with environmental requirements specified in the contract. ACO responsibilities include-

(i) Requesting environmental technical assistance, if needed;

(ii) Monitoring contractor compliance with specifications requiring the use of environmentally preferable products, energy-efficient products, and materials or delivery of end products with specified recovered material content. This must occur as part of the quality assurance procedures set forth in Part 46; and

(iii) As required in the contract, ensuring that the contractor complies with the reporting requirements relating to recovered material content utilized in contract performance (see Subpart 23.4).

(69) Administer commercial financing provisions and monitor contractor security to ensure its continued adequacy to cover outstanding payments, when on-site review is required.

(70) Deobligate excess funds after final price determination.

(b) The CAO shall perform the following functions only when and to the extent specifically authorized by the contracting office:

(1) Negotiate or negotiate and execute supplemental agreements incorporating contractor proposals resulting from change orders issued under the Changes clause. Before completing negotiations, coordinate any delivery schedule change with the contracting office.

(2) Negotiate prices and execute priced exhibits for unpriced orders issued by the contracting officer under basic ordering agreements.

(3) Negotiate or negotiate and execute supplemental agreements changing contract delivery schedules.

(4) Negotiate or negotiate and execute supplemental agreements providing for the deobligation of unexpended dollar balances considered excess to known contract requirements.

(5) Issue amended shipping instructions and, when necessary, negotiate and execute supplemental agreements incorporating contractor proposals resulting from these instructions.

(6) Negotiate changes to interim billing prices.

(7) Negotiate and definitize adjustments to contract prices resulting from exercise of an economic price adjustment clause (see Subpart 16.2).

(8) Issue change orders and negotiate and execute resulting supplemental agreements under contracts for ship construction, conversion, and repair.

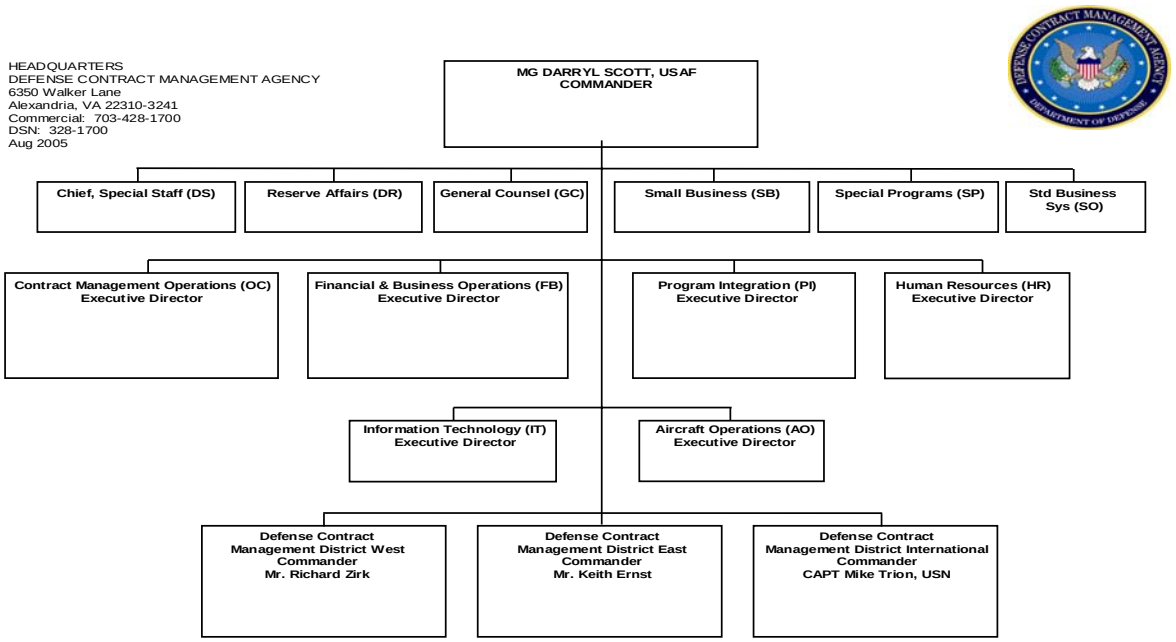
(9) Execute supplemental agreements on firm-fixed-price supply contracts to reduce required contract line item quantities and deobligate excess funds when notified by the contractor of an inconsequential delivery shortage, and it is determined that such action is in the best interests of the Government, notwithstanding the default provisions of the contract. Such action will be taken

only upon the written request of the contractor and, in no event, shall the total downward contract price adjustment resulting from an inconsequential delivery shortage exceed $250.00 or 5 percent of the contract price, whichever is less.

(10) Execute supplemental agreements to permit a change in place of inspection at origin specified in firm-fixed-price supply contracts awarded to non-manufacturers, as deemed necessary to protect the Government's interests.

(11) Prepare evaluations of contractor performance in accordance with Subpart 42.15.(c) Any additional contract administration functions not listed in 42.302(a) and (b), or not otherwise delegated, remain the responsibility of the contracting office.

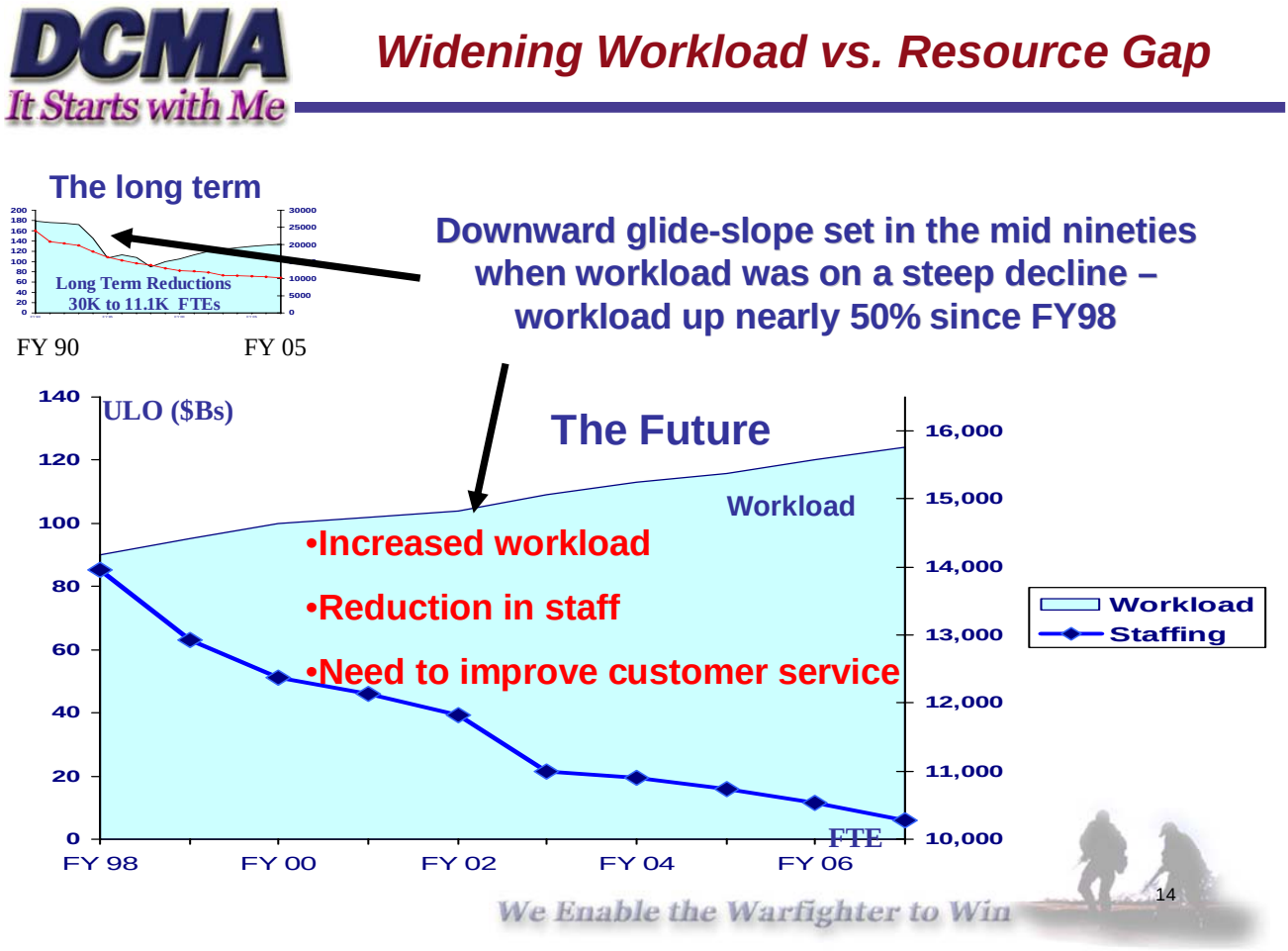
ATTACHMENT C. DCMA HQ ORGANIZATION STRUCTURE



Note: This chart is used to demonstrate the DCMA HQ Level organization model at the time of the study.

THIS PAGE INTENTIONALLY LEFT BLANK

ATTACHMENT D. DCMA WORKLOAD VS. RESOURCES



Note: This chart was used in a multitude of DCMA briefings from HQ Level down to the CMO throughout 2000 – 2003.

THIS PAGE INTENTIONALLY LEFT BLANK

INITIAL DISTRIBUTION LIST

1. Defense Technical Information Center
   Fort Belvoir, Virginia

2. Dudley Knox Library
   Naval Postgraduate School
   Monterey, California