



Defense Contract Management Agency

Established March 27, 2000

Presented By:

***BG Edward M. Harrington, USA
Director***

- Mission -- Vision
- My Priorities
- Risk Management
- Major Program Services
 - Program Support & Earned Value Mgmt
- Catalyst for Acquisition Excellence
 - E-Commerce, Small Business, Management Councils
- Financial Issues

Mission:

Provide customer-focused contract management services throughout the acquisition life cycle--around the clock, around the world.

Vision:

DCMA people, teaming to provide world class contract management services.

Strategic Goals:

1. Deliver great customer service.
2. Lead the way to efficient and effective business processes.
3. Enable DCMA people to excel.



What We Do

Achieve Customer Outcomes!

Provide Customer Focused Contract Management Services

- Right Item = Quality
- Right Time = On-Time Delivery
- Right Price = Value for Money

Combat Support Agency

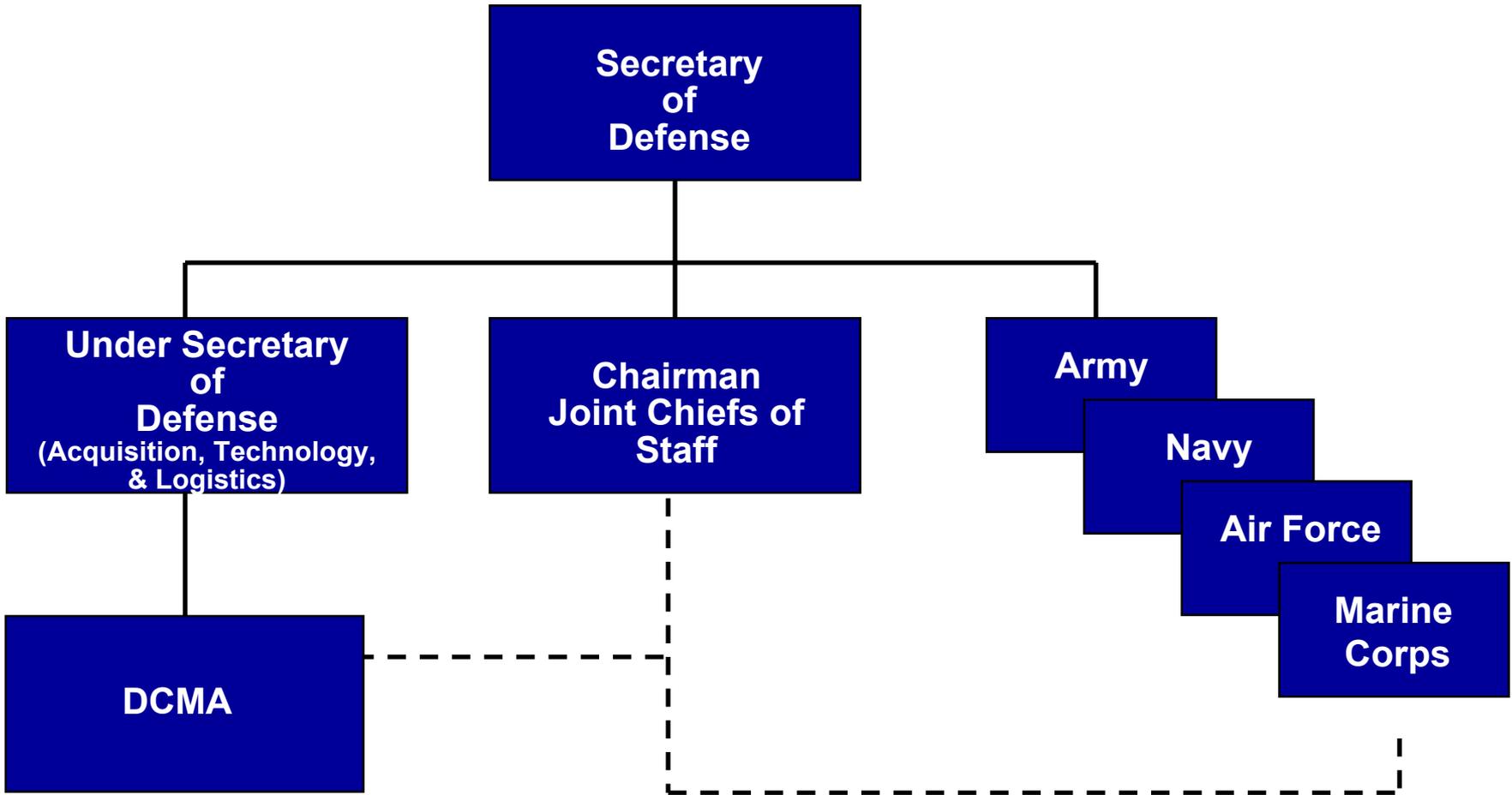
- Military Operations
- Readiness of Fielded Systems
- Modernization of Military Equipment
- Industrial Surge – During Conflict

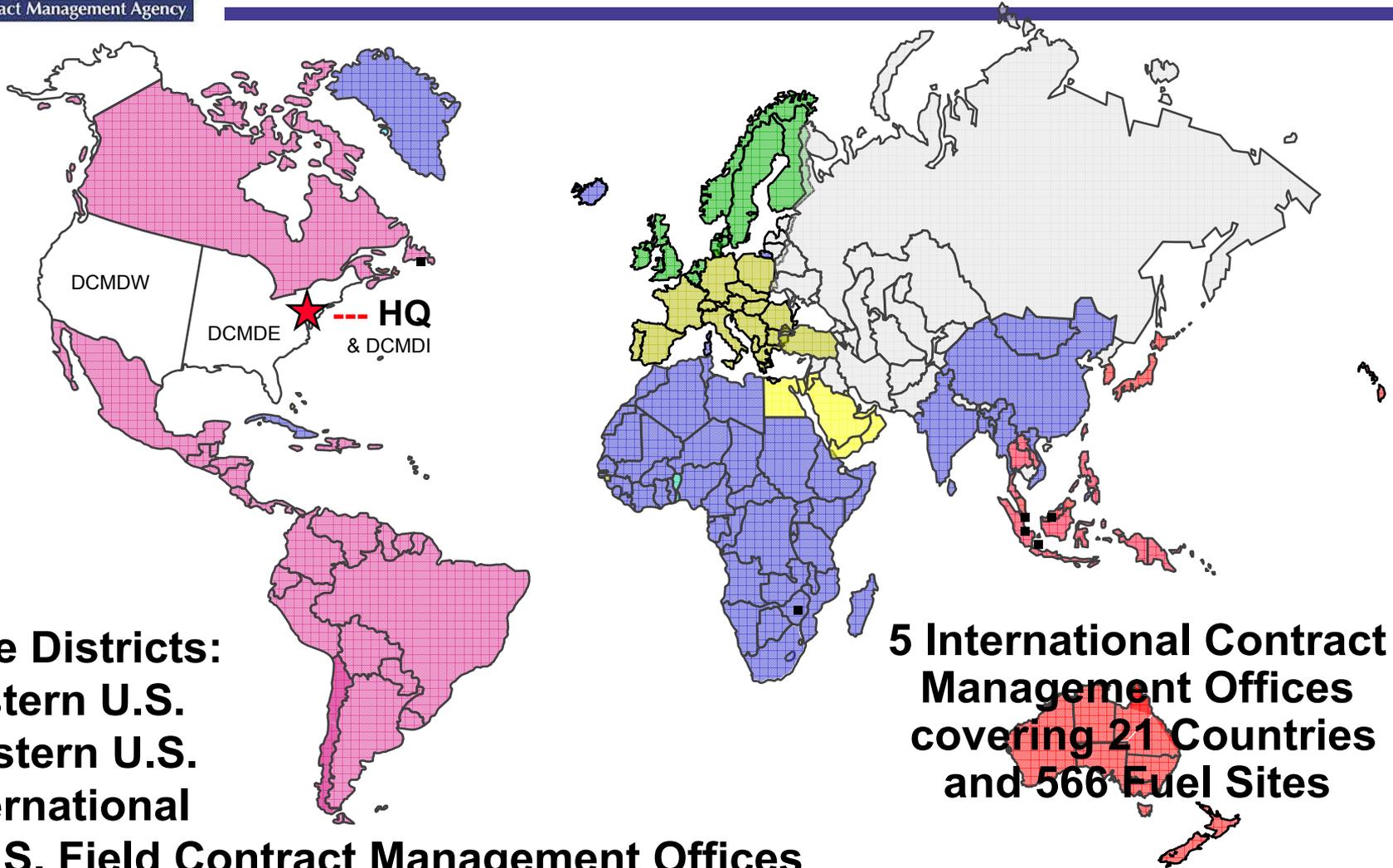


Teaming with Military Services and Defense Contractors to ensure that tax dollars achieve mission requirements

DCMA is a Team Member...

...in the defense acquisition community





Three Districts:

- Eastern U.S.
- Western U.S.
- International

60 U.S. Field Contract Management Offices

5 International Contract Management Offices covering 21 Countries and 566 Fuel Sites

DCMA oversees more than 21,000 contractors and 360,000 contracts valued at over \$850 billion

What we do

DCMA Service Sets

Pre-Contractual Advice Services

Major Program Services

Risk Assessment Services

Product Performance Services

Delivery Services

Pricing/Modification Services

Bus & Fin Systems Services

Aircraft Ops Services

Payment & Fin Mgmt Services

Contract Closeout Services

Combat Support Services

Customer Focus

Right Item

Right Time

Right Price

Risk Based

How we manage

Integrated Management System

Policy set in DCMA "One Book"

Labor hrs reported by process

Activity Based Management

Agency-wide Performance Contracts

Accountability for results

- **People Development** – Leadership, Teaming and Technical Skills
- **New Administration's Acquisition Excellence Focus**
- **Combat Support Agency Development**
 - On the Ground with our CINC's
 - Support to Systems Acquisition and Life Cycle Sustainment
- **Relationships with OSD**
- **Management Reviews, RUC, IOA's**
- **Technology Insertion**

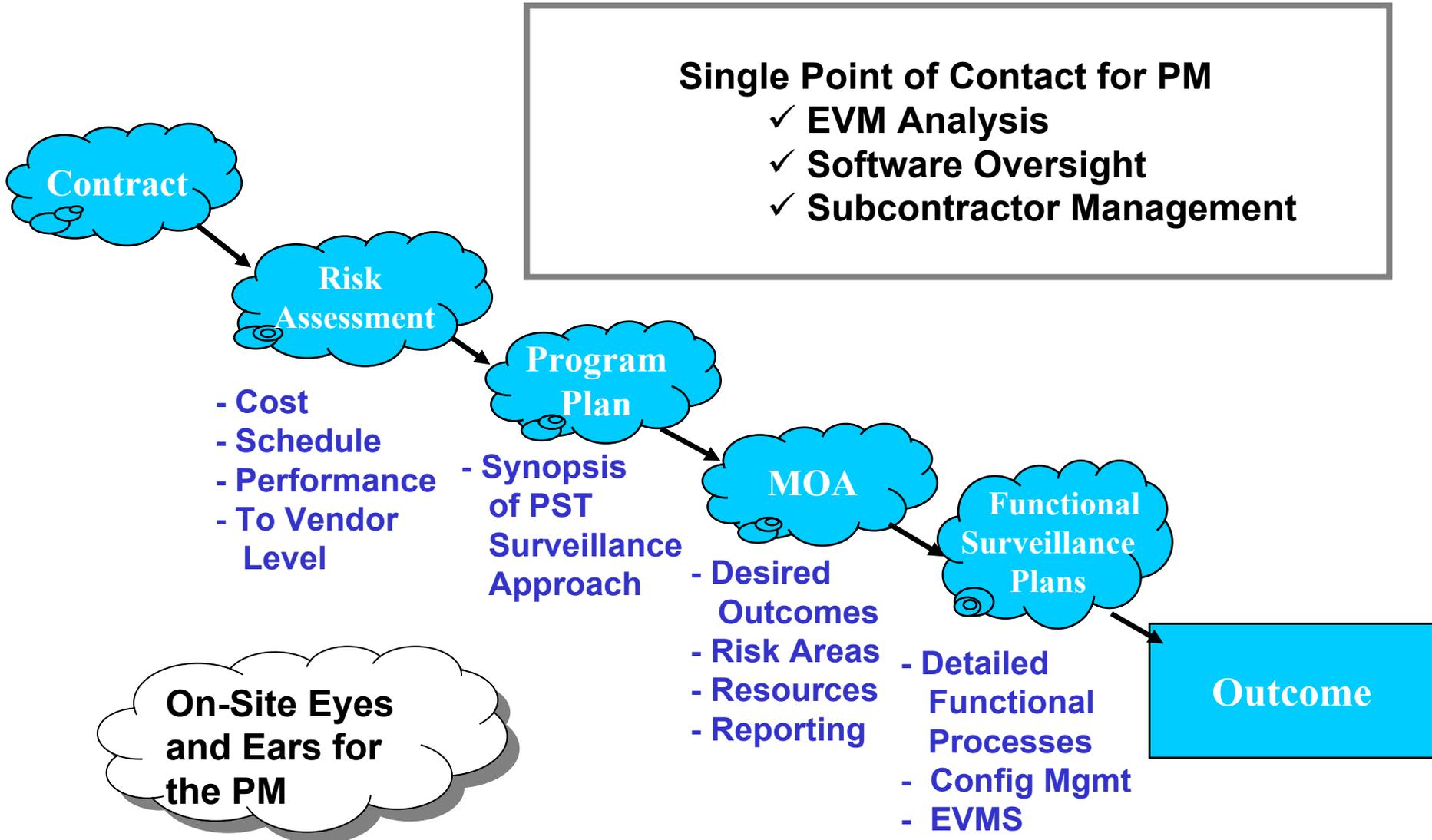
**NO Stovepipes or Air Gaps
21st Century Organization and Thinking
REQUIRED**

RISK MANAGEMENT PROCESS MODEL



Program Support

Program Integrator



DCMA Surveillance

↗ System Surveillance

Answers the question: “Does the Supplier have an EVM system for Program Management”?



**SYSTEM
CONFIDENCE**

↗ Program Analysis

Answers the question: “Does the Supplier use EVM to manage program execution”?



**PROGRAM
INSIGHT**

DCMA is DoD Executive Agent for EVMS:

- ↓ **Consistent DoD policy implementation**
- ↓ **Address issues across and between DoD and industry**
- ↓ **Partner with industry to promote EVMS ownership at corporate level**

EVMS ownership shifts focus from financial management to program management

- ↓ ***Change emphasis from reporting financial cost to managing program risk***

- ***High Performance Teams of Key Customer Representatives, DCMA, DCAA, and Contractors***
- ***Established at All Contractor Sites Having Major Acquisition Programs***
- ***Forums for Communicating Ideas, Implementing Change, and Accelerating Process Improvements That Significantly Impact Agency/Services***
- ***At Corporate level, Councils Provide Mechanism for Synergizing and Sharing Strategic Vision and Good Ideas Across Enterprises***



One of the Leaders in DoD E-Business!

- ***Principal Architect of DoD's "To Be" Procurement/Financial Models***
- ***Program Manager for Standard Procurement System***
- ***Partner in Transition to Modern Contractor Payment System***
- ***Leader in Electronic Material Acceptance and Contract Closeout***

***Member of DoD
E-Business
Board of Directors***



Engaged with Defense Industry to Support Small Business

*83 Small Business
personnel
In 36 locations*

- **A Major DoD Player**

- Small Business receives 41% of DoD subcontract dollars

*\$52 B in
Subcontracts*

- Aggressive goals in every Small Business category
- Outreach Programs – aid, assist and counsel
 - Marketing/Advocacy
- Comprehensive Subcontracting Test Program
- Support/Assist Prime Contractors to meet goals
 - Review Subcontracting Plans
 - Monitor Prime Contractors' Performance
 - Promote Small Business Subcontracting

Generally, Overhead Rates have decreased as contractors cut costs and restructure

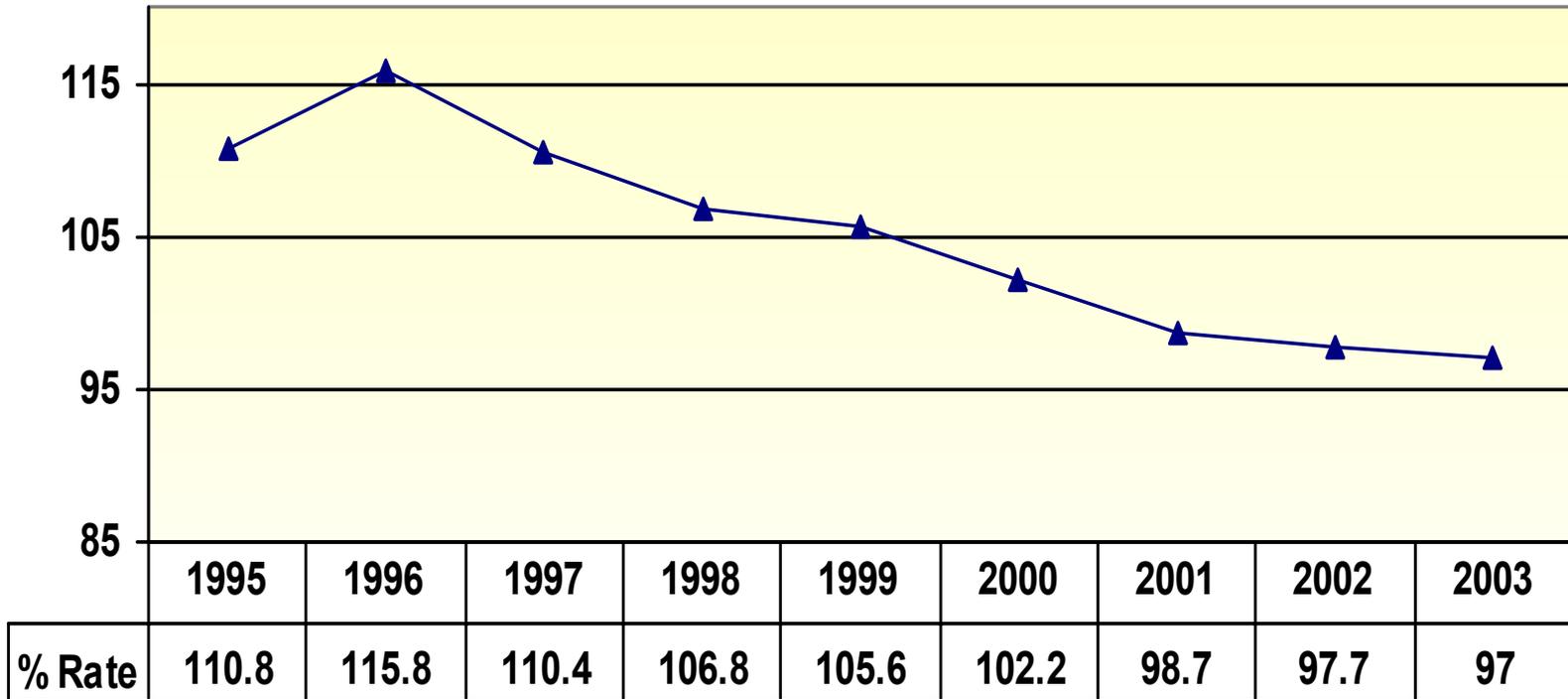
- ↖ Restructuring Savings to DoD equate to \$4.2B from August 1994 to December 2000 *Almost a 7:1 Ratio Savings to Costs*
- ↖ A 1999 DDP Study found that at 10 of 12 major contractor segments composite overhead rates decreased from 1995-2002



However, we have seen some increases in rates at some business segments, despite cost cutting, due to:

- ↖ Declines in the Business Sales Base
- ↖ Increases in Wages and Fringe Benefits Due to a Tight Labor Market
- ↖ Increases in R&D Effort Over Level of Production

1999 DDP Study--Indirect Cost Rate Trends



**Average of Composite Overhead Rates at 12 Contractor Locations
Overall Percentage *Decrease* of 12.5% Between 1995 and 2003**

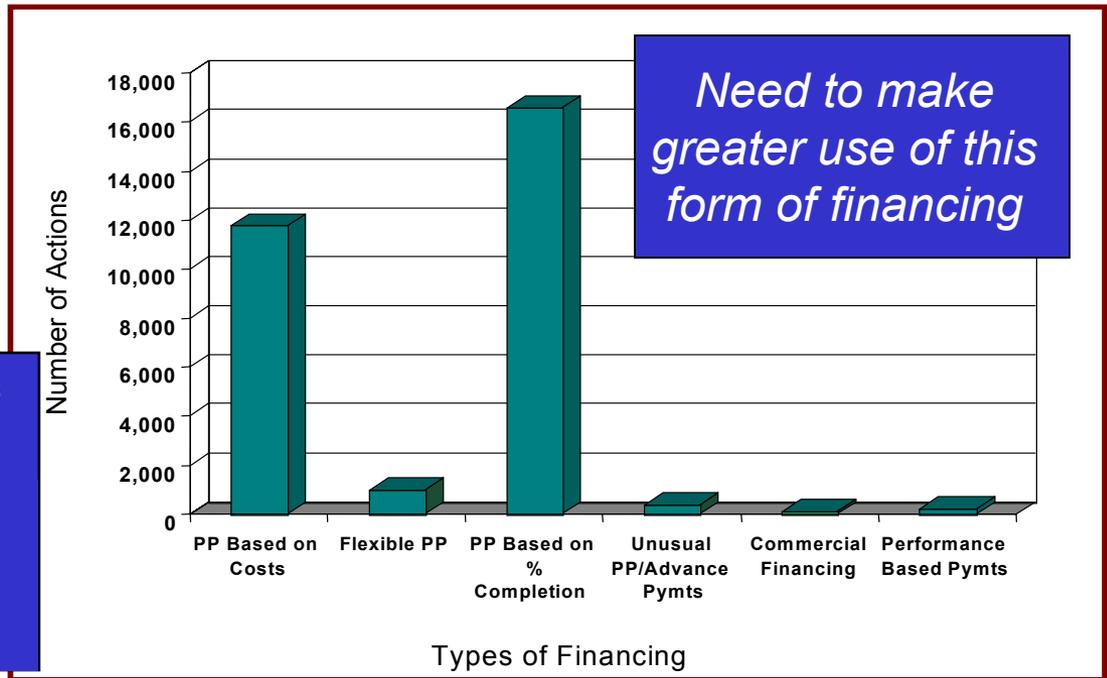
Raytheon Consolidation Cost Reductions

<u>Item</u>	<u>Cost</u> <u>Pre-Consolidation</u>	<u>Cost</u> <u>Post-Consolidation</u>	<u>Percent</u> <u>Change</u>
SM-2	\$677,600 (unit cost)	\$638,600 (unit cost)	5.5%
AMRAAM Lot 12	\$333,000 (unit cost)	\$250,000 (unit cost)	25%
JSOW	\$154M (total cost)	\$142M (total cost)	9%
BAT	\$41.7M (total cost)	\$35.4M (total cost)	15%
RAM	\$43.3M (total cost)	\$41.8M (total cost)	3.5%
F/A-18 (Direct Shipset Cost Reduction)	\$1.0957M (total cost)	\$1.0688M (total cost)	2.5%
XM 982 (Projected EAC Reflecting Move From Texas to Arizona)	\$117,560K (total cost)	\$108,823K (total cost)	7%

Performance Based Payments

Benefits to suppliers include...

- ⌞ up to 90% of contract price (progress payments limited to 75% of paid costs for large businesses),
- ⌞ better cash flow whenever work is ahead of schedule (even in an overrun), and
- ⌞ do not require an approved accounting system or compliance with MMAS



FY98 Use of Performance Based Payments
Used in less than 1% of actions, accounted for 10% of dollars financed

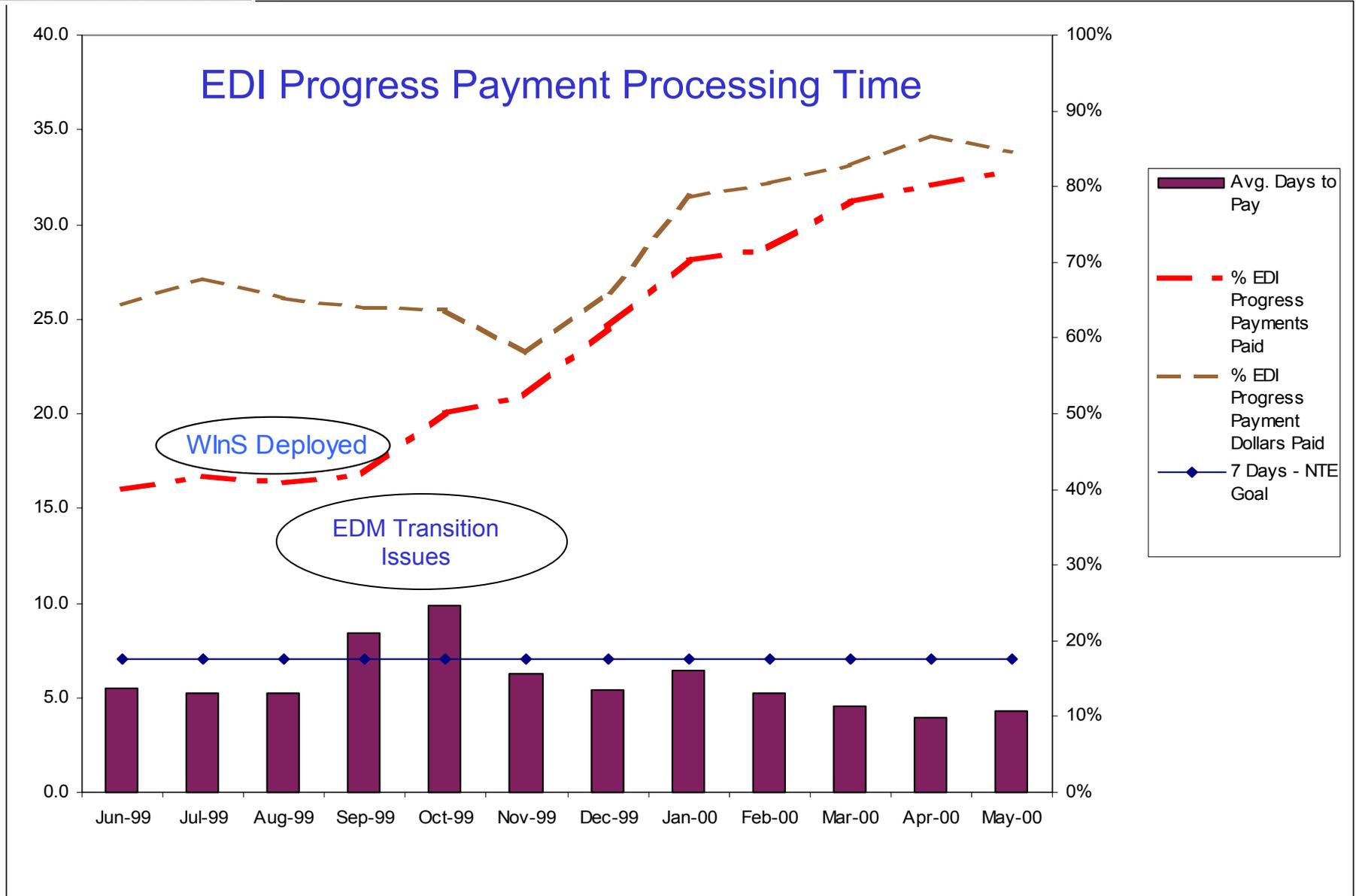
Use of Performance-Based Payments is expanding

Contract Financing Changes from FY99 to FY00

			<u>4th Qtr FY99</u>	<u>4th Qtr FY00</u>
PBP #s	94%	↑	128	248
PBP \$s	68%	↑	\$1,266M	\$2,129M
Progress Pay #s	19%	↓	4,850	3,950
Progress Pay \$s	20%	↓	\$2,389M	\$1,903M

While Progress Payment use is decreasing

Contract Financing



- **Sale of a business segment triggers a “segment closing” under CAS 413.**
 - **A “segment closing” requires a comparison of pension assets to pension liabilities.**
 - **CAS 413 indicates that the contractor and the Government must settle up for pension deficits and pension surplus retained by the seller.**
- **Four major cases have been filed in US Court of Claims**
- **The cost impact swing between Government’s position and contractor position is over \$1.4 billion.**
- **A ruling is expected by the end of July.**

- ❑ *Acquisition Support*
- ❑ *Warfighter Readiness*
- ❑ *Industrial Analysis*
- ❑ *E-Business Leader*
- ❑ *Enabler of Acquisition Excellence*
- ❑ *Single Face to Industry*

*One Focus –
Customer Focus
Throughout the
Acquisition Life Cycle*

*Cost Effective
for DoD &
Accountable for
Results*

Engaged with warfighters



Questions ?



“Our Customers”

Board of Directors

- Provide Guidance, Input on:
 - Strategic Goals/Unit Cost Goals
 - Performance Plans
 - Performance Reports/Assessment
- Provide Feedback on:
 - Value-added/Low Value-added
 - Products/Services
 - Mission Priorities
 - Performance Quality
- Act as Proponents for:
 - Funding/Resources
 - Mission Requirements

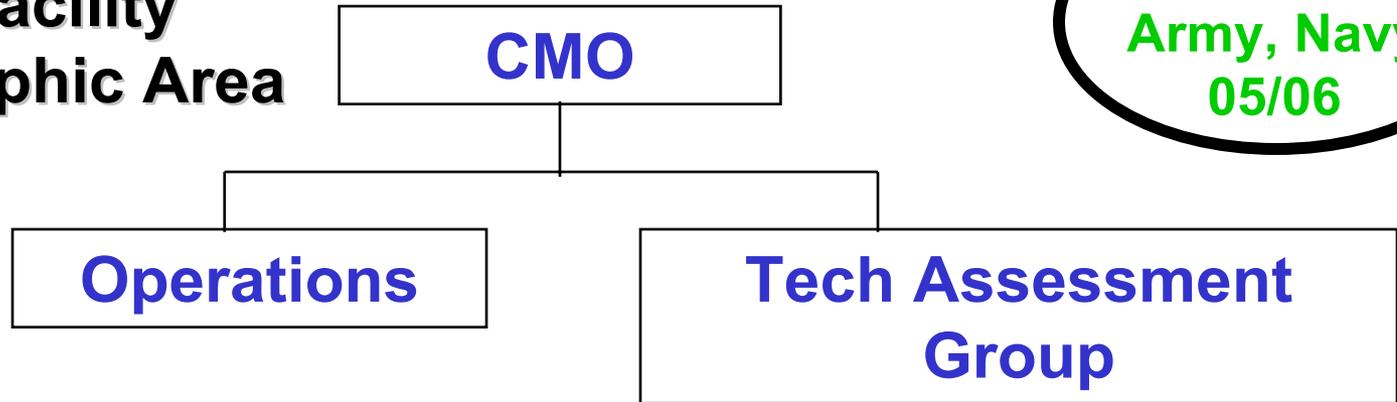
Members:

Principal Deputy, AT&L
Army Service Acquisition Exec.
Navy Service Acquisition Exec.
AF Service Acquisition Exec.
Director, Defense Procurement
Director, Defense Reform Initiative
Director, Acquisition Resources
Director, PA&E
Vice Director, J-8
Principal Deputy USD (Comptroller)
Director, DCMA

*Accountability
for
Results!!*

Defense Contract Management Office

- Major Facility
- Geographic Area



**Air Force,
Army, Navy
05/06**

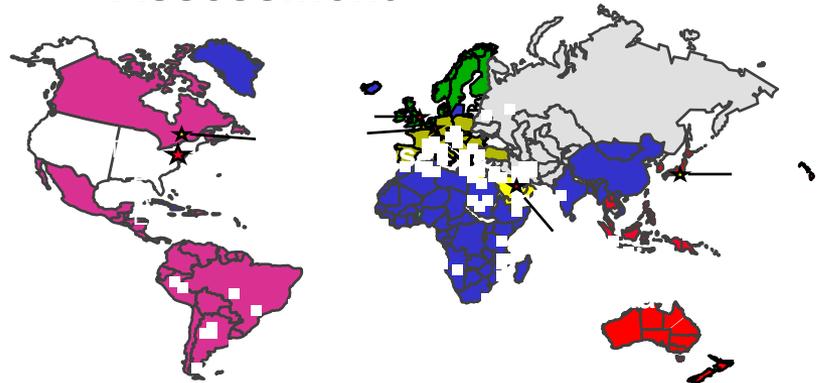
Storefront

Functional Specialists

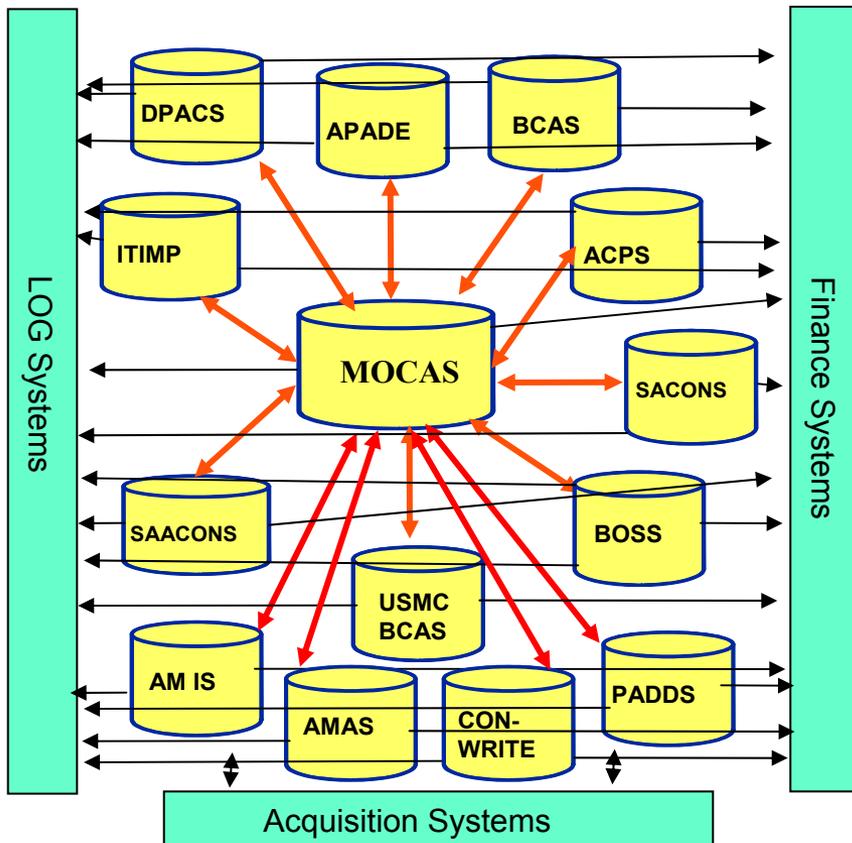
- Contracting
- Engineering
- Q/A
- Manufacturing
- Pricing
- Small Business
- Transportation

- Tech Expertise
- Corporate Support
- Assessment

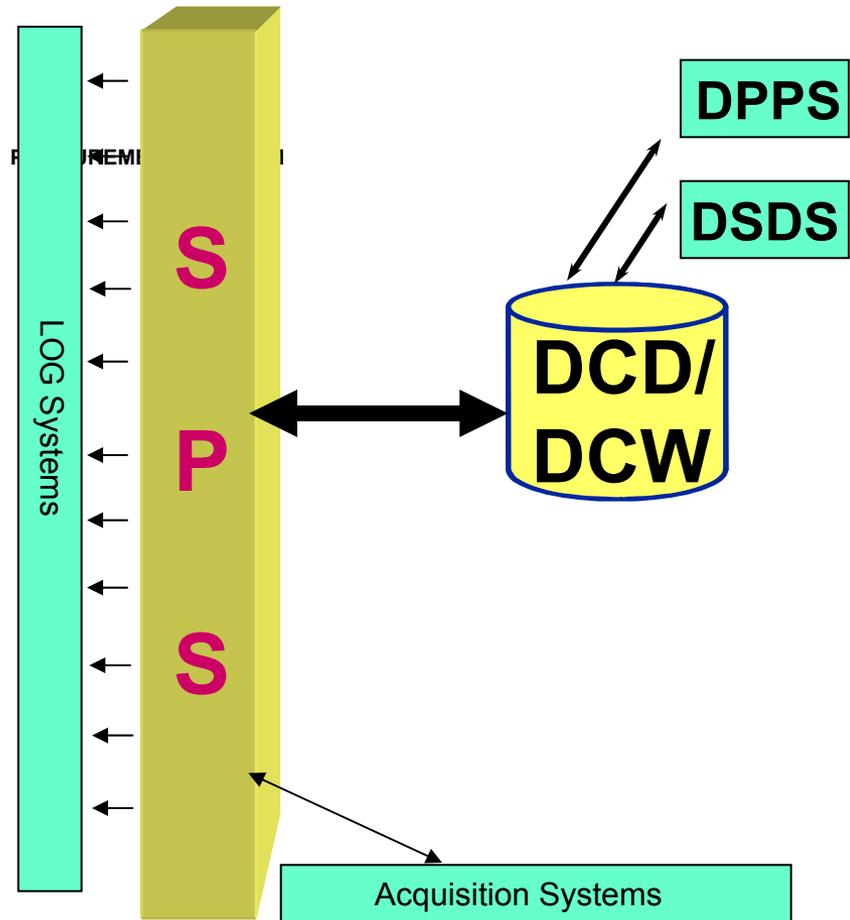
**1002
Operating
Locations**



Past



Today's



43,000 Users at 1,100 Sites

The Apparent

Big Items - Big \$ - High Attention



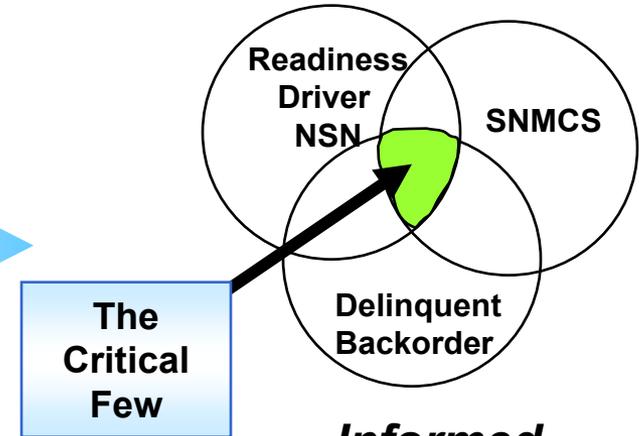
*Depot Maintenance
Timely Return to Mission
Capable Status*

*DCMA
covers...*

The Full Spectrum

The Less Apparent

Small Items - Small \$ - *High Importance*



*Informed
Engagement
on Spares*

- Focus on Customer's Readiness
- Linked to Supply Chain Management

Better Knowledge - Better Focus

Contingency CAS

“My compliments and deep gratitude for the tremendous job ... and I am immensely thankful. No one else could have done it so well ... This was hard, and you did one hell of a job! I salute you.”

John W. Hendrix, Lieutenant General
Commanding General, V (US) Corps

12 Jun 99

Warfighters increasingly reliant on contractors on the battlefield for support: construction, facilities, logistics, services.

Getting from point A to point B requires solid contract management



Today

Camp Bondsteel, Kosovo
March 2000

- ↓ 30,000 meals/day
- ↓ 2,800 bags of laundry/day
- ↓ 1.1M gals of water/day
- ↓ 100,000 gals of fuel/day
- ↓ 1,400 bags of mail
- ↓ 100,000 lbs of air cargo/day