

# **Fiscal Year (FY) 2009 Budget Estimates**

## **Defense Contract Management Agency (DCMA)**



February 2008

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**DEFENSE CONTRACT MANAGEMENT AGENCY  
Operation and Maintenance, Defense-Wide  
Fiscal Year (FY) 2009 Budget Estimates**

**Operation and Maintenance, Defense-Wide Summary (\$ in thousands)  
Budget Activity (BA) #4: Administration and Services**

	FY 2007 <u>Actuals</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2008 <u>Estimate</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2009 <u>Estimate</u>
DCMA	1,026,745	30,672	-13,552	1,043,865	30,135	-7,538	1,066,462

\* The FY 2007 Actual column includes \$8.681 thousand of FY 2007 Global War on Terror Emergency Supplemental funds (PL 110-28).

\* The FY 2008 Estimate column excludes \$3.0 thousand of the Consolidated Appropriations Act, 2008 (PL 110-161).

**I. Description of Operations Financed:** The Defense Contract Management Agency (DCMA) is America's vital link between the war fighter and industry. As the eyes and ears of the war fighter in contractor facilities and as a **Combat Support Agency**, DCMA is responsible for ensuring the integrity of the government contracting process and providing a broad range of acquisition management services. With shipment of many items from the contractor directly to the warfighter, DCMA is the last line of defense to ensure the highest quality product for the warfighter. The DCMA's contract management mission provides acquisition life-cycle support to the Services worldwide, plus contingency contract support in Iraq and Afghanistan. The DCMA's responsibilities require performance of Contract Administration Services (CAS) functions in accordance with the Federal Acquisition Regulations (FAR) and the Defense Federal Acquisition Regulations Supplement (DFARS).

The Agency has worldwide acquisition impact through its six Divisions. The International Division has on-site locations in such places as Afghanistan, Iraq, Germany, and Japan. The Agency's other Divisions are product based. The Aeronautical Systems Division, Ground Systems and Munitions Division, Naval Sea Systems Division, Space and Missile Systems Division and Special Programs Division are headquartered in the continental U.S. and provide its services through 47 major field commands. The Agency's civilian and military personnel are located in over 800 locations. They manage over 17,000 contractors

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**I. Description of Operations Financed (continued):**

and more than 318,000 active contracts with a total face value of \$2,468 billion, of which \$1,102 billion has been obligated. Of this amount \$177 billion is current work in process in contractors' facilities. The Agency's services and responsibilities include managing ACAT 1 and 2 programs, \$112 billion of Government property in plant, \$8 billion in progress payments and \$19 billion in performance based payments.

The DCMA workforce incorporates a wide range of skills and key capabilities. Administrative Contracting Officers, Engineers, Property Specialists, Product Assurance Specialists, etc. are employed to provide contract management and acquisition support services. These DCMA professionals work directly with the Defense suppliers and its customers to help ensure that government supplies and services are delivered on time, at projected cost and meet all performance requirements. The DCMA provides its customers with unparalleled contract management and acquisition support services wherever and whenever needed.

In recent years, the DCMA has taken significant action to continue providing outstanding contract management support, by realigning from a predominantly geographically based operating concept to a product based approach in order to better focus their expertise and to improve their capability to provide enterprise-wide support to customers. The DCMA implemented Performance Based Management (PBM) at all levels to ensure a clear understanding of customer expectations and help align limited resources to customers' most critical priorities. The PBM approach is based on customer outcomes and performance measures that allow the DCMA to align resources to the highest impact workload and evaluate its contribution to customers' success. The PBM approach provides a management architecture that ensures that the DCMA keeps its engagement strategies and day-to-day operational activities focused on customers' success.

**II. Force Structure Summary: N/A**

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**III. Financial Summary (\$ in thousands)**

	FY 2008						
	FY 2007 <u>Actuals</u>	Budget <u>Request</u>	<u>Congressional Action</u>		<u>Appropriated</u>	Current <u>Estimate</u>	FY 2009 <u>Estimate</u>
			<u>Amount</u>	<u>Percent</u>			
<b>A. <u>BA Subactivities</u></b>							
<b>Operational Support</b>	<b>1,009,265</b>	<b>1,032,523</b>	-274	-.03	<b>1,032,249</b>	<b>1,025,946</b>	<b>1,047,087</b>
Contract Management	941,905	954,137	-274	-.03	953,863	947,560	965,413
Management/Operational Hqtrs	67,254	78,386			78,386	78,386	81,674
<b>Training</b>	<b>17,585</b>	<b>11,616</b>			<b>11,616</b>	<b>17,919</b>	<b>19,375</b>
Specialized Skill Training	8,100	3,942			3,942	8,304	9,926
Professional Development	4,817	2,621			2,621	4,938	5,037
Base Support (tuition assistance, conferences, local training)	4,668	5,053			5,053	4,677	4,412
<b>Total</b>	<b>1,031,933</b>	<b>1,044,139</b>	-274	-.03	<b>1,043,865</b>	<b>1,043,865</b>	<b>1,066,462</b>

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<u>B. Reconciliation Summary</u>	<u>Change</u> <u>FY 2008/FY 2008</u>	<u>Change</u> <u>FY 2008/FY 2009</u>
<b>Baseline Funding</b>	1,044,139	1,043,865
Congressional Adjustments (Distributed)	14,000	
Congressional Adjustments (Undistributed)	-8,603	
Congressional Adjustments (General Provisions)	-5,671	
<b>Subtotal Appropriated Amount</b>	<b>1,043,865</b>	
<b>Subtotal Baseline Funding</b>	<b>1,043,865</b>	
Anticipated Supplemental	3,000	
Reprogrammings		
Price Changes		30,135
Functional Transfers		
Program Changes		-7,538
<b>Current Estimate</b>	<b>1,046,865</b>	<b>1,066,462</b>
Less: Wartime Supplemental	-3,000	
<b>Normalized Current Estimate</b>	<b>1,043,865</b>	<b>1,066,462</b>

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**III. Financial Summary (\$ in thousands)**

<b>C. <u>Reconciliation of Increases and Decreases</u></b>	<b><u>Amount</u></b>	<b><u>Totals</u></b>
<b>FY 2008 President's Budget Request (Amended, if applicable)</b>		<b>1,044,139</b>
1. Congressional Adjustments		-274
a. Distributed Adjustments - Contract Service Management Oversight	14,000	
b. Undistributed Adjustments - Unobligated Balances	-8,603	
c. Adjustments to meet Congressional Intent		
d. General Provisions		
1) Sec 8104 - Economic Assumptions (-76,152)	-3,522	
2) Sec 8097 - Contractor Efficiencies (-36,457)	-1,686	
e. Congressional Earmarks - Sec 8038 Mitigation of Environmental Impacts	-463	
<b>FY 2008 Appropriated Amount</b>		<b>1,043,865</b>
2. War-Related and Disaster Supplemental Appropriations		3,000
3. Fact of Life Changes		
<b>FY 2008 Baseline Funding</b>		<b>1,046,865</b>
4. Reprogrammings (requiring 1415 Actions)		
<b>Revised FY 2008 Estimate</b>		<b>1,046,865</b>
5. Less: Item 2, War-Related and Disaster Supplemental Appropriations	-3,000	
<b>FY 2008 Normalized Current Estimate</b>		<b>1,043,865</b>
6. Price Change		30,135
7. Functional Transfers		
8. Program Increases		
a. Annualization of New FY 2008 Program		
b. One-Time FY 2009 Increases		
c. Program Growth in FY 2009		3,844

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**C. Reconciliation of Increases and Decreases**

	<u>Amount</u>	<u>Totals</u>
1) Increase in the Disability Compensation is based on the service provider estimates. (FY 2008 Base: \$4,444 thousand)	89	
2) Increase in Foreign National Indirect Hire (FNID) is due financing one additional FTE in FY 2008. (FY 2008: 587 thousand)	49	
3) Increase in equipment is due to a mass replacement of Video Telecommunication (VTC) multiple call units that occur every three years. (FY 2008 Base: \$11,288 thousand)	1,768	
4) Increase in the Defense Finance and Accounting Services is based on the service provider estimates. (FY 2008 Base: \$6,316 thousand)	371	
5) DCMA is expanding the hiring efforts for interns to address the aging workforce challenge. This will require an increase to the DCMA training budget to ensure all interns are adequately trained. (FY 2008 Base: \$9,608 thousand in travel and \$8,311 thousand in other contracts)	1,524	
6) Equipment maintenance by contract increased with the replacement of VTC units. (FY 2008 Base: \$448 thousand)	43	
9. Program Decreases		
a. Annualization of FY 2008 Program Decreases		
b. One-Time FY 2008 Decreases		
c. Program Decreases in FY 2009		-11,382
1) Decrease in personnel compensation is the net of a decrease for one paid day (\$3,476 thousand) and a decrease for the decline in DCMA FTEs (-\$6,659 thousand) (FY 2008 Base: \$898,615 thousand)	-10,135	
2) DISA processing costs have shown a downward trend over the last several years. With the move of MOCAS (the largest portion of DISA costs) from Columbus to Ogden it is expected that these costs will stabilize at a reduced rate. (FY 2008 Base: \$5,500 thousand)	-323	
3) Decrease in Communication Services Tier 2 is due to DISA rates stabilizing. (FY 2008 Base: \$6,058 thousand)	-843	

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C. Reconciliation of Increases and Decreases

4) The decrease in Facility Sustainment, Restoration, and Modernization  
by Contract is due to fewer leases expiring. (FY 2008 Base:  
\$2,167 thousand)

Amount                      Totals

-81

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1,066,462

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**IV. Performance Criteria and Evaluation Summary**

As a combat support agency, DCMA provides a full range of acquisition support to the military departments for acquisition of weapons and other critical equipment. The DCMA provides acquisition planning and support services during the early phases of the acquisition cycle to help construct effective solicitations, identify and mitigate potential performance risks, select capable contractors and write contracts that are easily managed with less risk of costly modification. The Agency teams with Defense Components and defense contractors to ensure product, cost and schedule are in compliance with the terms and conditions for the contract and meet the needs of the war fighter. The DCMA is also responsible for ensuring procured material is of satisfactory quality, delivered when and where needed and provided at reasonable price and meets performance requirements.

The Agency's strategic goals are oriented toward changing its culture into a performance-based management organization and focusing on achieving customer outcomes. The DCMA's four strategic goals include: transforming the Agency into a customer-focused organization; embracing a performance-based culture; enabling DCMA's people to excel; and, ensuring fiscal responsibility by improving financial management through performance and budget integration. These goals are supported by five overarching performance measures that are associated with the Agency's performance-based mission outcomes and used as indicators in the OMB Performance Assessment Rating Tool (PART).

The five overarching performance measures discussed below have been assigned specific targets.

1. Electronic Invoice Processing: The DCMA was established to help drive effectiveness and efficiency into the contract administration process. Increasing electronic processing of key contract actions increases responsiveness, reduces processing time and cost, and

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**IV. Performance Criteria and Evaluation Summary**

facilitates timely closeout of contracts. The Agency's goal was to increase payments processed electronically to 95 percent by year-end for DCMA-managed contracts. An increase in productivity and efficiency was sought through use of increased electronic processing of invoices. The year-end results indicated that the Agency surpassed its goal by achieving 95.1 percent. The Agency has established a goal of 95 percent for FY 2008 and FY 2009. This supports the President's Management Agenda item on expansion of electronic government.

2. Electronic Source Acceptance Document Processing: This goal also seeks to increase electronic processing of key contract actions. The ultimate goal was to increase the percentage of day-to-day contract administration activities, such as DD250s, conducted electronically. The electronic processing of documents places critical customer information in the hands of DCMA faster compared to a manual system. It also allows DCMA to reduce errors while speeding processing time. By end of FY 2007 DCMA aimed to increase acceptance documents for source acceptance received and processed electronically to 92 percent for DCMA administered contracts. At yearend the Agency attained 93.3 percent against this goal. The Agency has raised the goal to 95 percent for FY 2008 and FY 2009. This goal also supports the President's Management Agenda item on expansion of electronic government.

3. Unit Cost Productivity: The Agency's mission is to perform contract administration services for DOD and other federal Agencies in accordance with FAR and DFAR regulations in an effective and efficient manner. The Agency unit cost metric relates DCMA's labor and non-labor costs to the dollar value of open contracts. The DCMA's goal is to reduce the cost per unit of output for basic contract management services {in constant FY 2006 dollars} by three percent annually through improvements in productivity. The DCMA has implemented a unit cost and activity-based management system. This goal applies to

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**IV. Performance Criteria and Evaluation Summary**

reducing unit costs in the Basic Contract Management cost pool while maintaining or improving performance in all other cost pools. The forecast assumes stable contract workload and no major change in delegation of contract authority. Through 2007 yearend the Agency achieved a reduction of 8.75%. The Agency continues to seek a three percent annual reduction in cost per unit of output for basic contract management services {in constant FY 2006 dollars} through improvements in productivity for both FY 2008 and FY 2009. This goal supports the President's management agenda item related to budget and performance integration.

4. Contract Closeout Timeliness: The Agency's contract management mission provides acquisition life-cycle support to our military services worldwide. Contract closeout reflects the successful completion of all processes required by the Federal Acquisition Regulation and the Defense Federal Acquisition Regulation during contract administration. Therefore, this measure tracks DCMA's ability to complete its assigned mission. The Military Services and DLA have adopted procurement strategies that result in larger, longer term, and more complex contracts that require more time to close. Even in light of the increasing workload and its complexities, the Agency strived to achieve closeout of contracts 90 percent of the time within the Federal Acquisition Regulation/Defense Federal Acquisition Regulation Supplement-mandated timeframes. The DCMA attained a closeout rate of 96.9 percent by yearend. Since much of the documentation required to close out contracts is provided by the contractor and other organizations (i.e. Defense Contract Audit Agency, Defense Finance and Accounting Services, and program offices), DCMA will continue to team with them to work out systemic issues that would delay closeout in future fiscal years. As a result, DCMA continues to strive for a 90 percent closeout rate in FY 2008 and 2009.

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**IV. Performance Criteria and Evaluation Summary**

5. Customer Satisfaction: The DCMA's goal is to provide the customer with unparalleled contract management and acquisition support wherever and whenever needed. The customer satisfaction measure provides insight into the customers' satisfaction with the services provided. The feedback provided by the customers to DCMA concerns timeliness, accuracy, professionalism of DCMA's personnel, as well as overall satisfaction of the product and service provided. The Agency aims to achieve a rating of five or greater, on a six point scale, on 90 percent of the responses regarding overall customer satisfaction. The goal is set for five or better because the Agency should strive for a minimum rating of "satisfied". Problems identified in the survey will be assessed for corrective action. By year end the Agency attained a customer satisfaction rating of 91.2 percent. The Agency will strive for 90 percent in both FY 2008 and FY 2009.

As the DCMA implements performance-based management the Agency will evolve from measuring performance based on a small number of overarching Agency measures to measuring performance based on a broad set of objective performance measures linked to customer commitments. This broad set of measures will be captured in an electronic performance management reporting system.

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<b>V. <u>Personnel Summary</u></b>	<b><u>FY 2007</u></b>	<b><u>FY 2008</u></b>	<b><u>FY 2009</u></b>	<b>Change <u>FY 2007/ FY 2008</u></b>	<b>Change <u>FY 2008/ FY 2009</u></b>
<u>Active Military End Strength (E/S) (Total)</u>	416	561	559	145	-2
Officer	348	494	492	146	-2
Enlisted	68	67	67	-1	
 <u>Civilian End Strength (Total)</u>	 9,701	 9,768	 9,441	 67	 -327
U.S. Direct Hire	9,616	9,684	9,356	68	-328
Foreign National Direct Hire	72	72	72		
Total Direct Hire	9,688	9,756	9,428	68	-328
Foreign National Indirect Hire	13	12	13	-1	1
Memo: Reimbursable Civilians Included					
 <u>Active Military Average Strength (A/S) (Total)</u>	 416	 561	 559	 145	 -2
Officer	348	494	492	146	-2
Enlisted	68	67	67	-1	
 <u>Civilian FTEs (Total)</u>	 9,715	 9,694	 9,593	 -21	 -101
U.S. Direct Hire	9,630	9,610	9,508	-20	-102
Foreign National Direct Hire	72	72	72		
Total Direct Hire	9,702	9,682	9,580	-20	-102
Foreign National Indirect Hire	13	12	13	-1	1
Memo: Military Technician Included					
Memo: Reimbursable Civilians Included	757	814	777	57	-37
Average Annual Civilian Salary (\$ in thousands)	97	101	103		

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

<u>OP 32 Line</u>	<u>FY 2007</u> <u>Actuals</u>	<u>Change from</u> <u>FY 2007 to FY 2008</u>		<u>FY 2008</u> <u>Estimate</u>	<u>Change from</u> <u>FY 2008 to FY 2009</u>		<u>FY 2009</u> <u>Estimate</u>
		<u>Price</u> <u>Growth</u>	<u>Program</u> <u>Growth</u>		<u>Price</u> <u>Growth</u>	<u>Program</u> <u>Growth</u>	
101 Executive, General and Special Schedule	852,232	26,868	57	879,157	26,870	-10,113	895,914
103 Wage Board	261	8	2	271	8	-1	278
104 Foreign National Direct Hire	5,319	168	41	5,528	169	-21	5,676
106 Benefits to Former Employees	168	0	149	317	0	8	325
107 Voluntary Separation Incentive Pay	1,389	0	-1,389	0	0	0	0
111 Disability Compensation	4,112	0	333	4,445	0	89	4,534
121 Permanent Change of Station	8,126	256	0	8,382	256	0	8,638
199 Total Civilian Personnel Compensation	871,608	27,300	-807	898,100	27,303	-10,038	915,365
<b><u>Travel</u></b>							
308 Travel Of Persons	28,276	537	828	29,641	593	306	30,540
399 Total Travel	28,276	537	828	29,641	593	306	30,540
<b><u>Transportation</u></b>							
771 Commercial Transportation	2,322	51	0	2,373	50	0	2,423
799 Total Transportation	2,322	51	0	2,373	50	0	2,423
<b><u>Other Purchases</u></b>							
901 Foreign National Indirect Hires	624	12	-49	587	12	49	648
912 GSA Leases	13,146	329	0	13,475	337	0	13,812
913 Purchase Utilities (Non-Funded)	616	12	0	628	13	0	641
914 Purchase Communications (Non-Funded)	4,465	85	0	4,550	91	0	4,641
915 Rents and Leases (Non-GSA)	2,453	47	0	2,500	50	0	2,550
917 Postal Services (U.S.P.S.)	107		0	107		0	107
920 Supplies & Materials (Non-Funded)	12,216	232	0	12,448	249	0	12,697
921 Printing & Reproduction	100	2	0	102	2	0	104

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	FY 2007 <u>Actuals</u>	Change from <u>FY 2007 to FY 2008</u>		FY 2008 <u>Estimate</u>	Change from <u>FY 2008 to FY 2009</u>		FY 2009 <u>Estimate</u>
		<u>Price Growth</u>	<u>Program Growth</u>		<u>Price Growth</u>	<u>Program Growth</u>	
<b><u>Other Purchases (continued)</u></b>							
922 Equipment Maintenance by Contract	553	11	-116	448	9	43	500
923 Facility Substainment, Restoration, and Modernization by Contract	3,425	65	-1,323	2,167	43	-81	2,129
925 Equipment Purchases	20,737	394	-9,843	11,288	226	1,768	13,281
933 Studies, Analysis, & Evaluation	667	13	-680	0	0	0	0
989 Other Contracts	47,447	900	1,064	49,411	987	1,210	51,609
998 Other Costs (Interest)	95	2	0	97	2	0	99
999 Total Other Purchases	106,651	2,104	-10,947	97,808	2,021	2,989	102,818
<b><u>Information Services</u></b>							
647 DISA Information Services (Megacenter)	3,395	135	41	3,571	253	-323	3,500
671 Communication Services (DISA) Tier 2	8,168	849	-2,960	6,057	243	-843	5,458
Total Information Services	11,563	984	-2,919	9,628	496	-1,166	8,958
<b><u>Financial Operations</u></b>							
673 Defense Finance and Accounting Services	6,326	-304	293	6,315	-328	371	6,358
Total Financial Operations	6,326	-304	293	6,315	-328	371	6,358
<b>9999 Total Operation and Maintenance (O&amp;M)</b>	<b>1,026,745</b>	<b>30,672</b>	<b>-13,552</b>	<b>1,043,865</b>	<b>30,135</b>	<b>-7,538</b>	<b>1,066,462</b>

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