

Fiscal Year 2010 Budget Estimates
Defense Contract Management Agency
(DCMA)



May 2009

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**DEFENSE CONTRACT MANAGEMENT AGENCY
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2010 Budget Estimates**

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

	FY 2008 <u>Actuals</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2009 <u>Estimate</u>	Price <u>Change</u>	Program <u>Change</u>	FY 2010 <u>Estimate</u>
Agency	1,054,922	35,237	612	1,090,771	24,081	-56,131	1,058,721

* The FY 2008 Actual column includes \$3,000 thousand of Consolidated Appropriations Act, 2008, Division L, Supplemental Appropriations, Defense (P.L. 110-161) and \$25,026 thousand of FY 2008 Emergency Supplemental funds for the Global War (PL 110-252).

* The FY 2009 Estimate column excludes \$0 thousand of Bridge Funding Appropriations for FY 2009 (PL 110-252) and \$15,000 thousand of FY 2009 Overseas Contingency Operations funding.

* The FY 2010 Estimate column excludes \$63,130 thousand of FY 2010 Overseas Contingency Operations funding.

I. Description of Operations Financed: The Defense Contract Management Agency (DCMA) is America's vital link between the war fighter and industry. DCMA's most important mission is its role as a combat support agency during military conflicts, providing contract management services and acquisition life-cycle support to our military services worldwide, as well as contingency contract support in Iraq and Afghanistan. As the eyes and ears of the war fighter in contractor facilities, DCMA is responsible for ensuring the integrity of the government contracting process and for 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 in ensuring the highest quality product is delivered DCMA's responsibilities require performance of Contract Administration Services (CAS) functions in accordance with the Federal Acquisition Regulation (FAR) and the Defense Federal Acquisition Regulation Supplement (DFARS).

The Agency has worldwide acquisition impact through its six Divisions. The International Division has on-site locations in Afghanistan, Iraq, Germany, and Japan. The Agency's other Divisions are product based. The Aeronautical Systems Division, Ground Systems

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I. Description of Operations Financed:

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 900 locations, managing over 18,000 contractors and more than 324,000 active contracts. These contracts have a total face value of \$2,247 billion of which \$1,254 billion has been obligated. Of this amount \$204 billion is current work in process in contractors' facilities. The Agency's services and responsibilities include managing ACAT I and II programs, \$112 billion of Government property in plant, \$8 billion in progress payments and \$19 billion in performance based payments.

The DCMA's workforce incorporates a wide range of skills and key capabilities, such as Administrative Contracting Officers, Engineers, Property Specialists, and Product Assurance Specialists 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 when and wherever needed.

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 expertise and improve 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 align resources to the highest impact workload and evaluate the contribution to customer's success.

II. Force Structure Summary: NA

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III. Financial Summary (\$ in Thousands)

	FY 2009						
	FY 2008 <u>Actuals</u>	Budget <u>Request</u>	<u>Congressional Action</u>		<u>Appropriat ed</u>	<u>Current Estimate</u>	FY 2010 <u>Estimate</u>
			<u>Amount</u>	<u>Percent</u>			
A. <u>BA Subactivities</u>							
Operating Support	1,038,265	1,047,087	-2,665	-.28%	1,044,422	1,073,021	1,040,385
Contract Management	963,731	965,413	-2,665	-.28%	962,748	999,172	964,762
Management/Operational HQ	74,534	81,674			81,674	73,849	76,455
Training and Recruiting	16,657	19,375			19,375	17,750	18,336
Specialized Skill Training	6,388	9,926			9,926	9,926	10,125
Professional Development	3,568	5,037			5,037	5,037	5,138
Base Support	6,701	4,412			4,412	2,787	2,242
Total	1,054,922	1,066,462	-2,665	.28%	1,063,797	1,090,771	1,058,721

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III. Financial Summary (\$ in Thousands)

<u>B. Reconciliation Summary</u>	<u>Change FY 2009/FY 2009</u>	<u>Change FY 2009/FY 2010</u>
Baseline Funding	1,066,462	1,090,771
Congressional Adjustments (Distributed)		
Congressional Adjustments (Undistributed)		
Adjustments to Meet Congressional Intent		
Congressional Adjustments (General Provisions)	-2,665	
Subtotal Appropriated Amount	1,063,797	
Fact-of-Life Changes (CY to CY Only)		
Subtotal Baseline Funding	1,063,797	
Anticipated Supplemental	15,000	
Unobligated Balance Carried Forward (FY 2008/2009)	26,974	
Price Changes		24,081
Functional Transfers		
Program Changes		-56,131
Current Estimate	1,105,771	1,058,721
Less: Wartime Supplemental	-15,000	
Normalized Current Estimate	1,090,771	1,058,721

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III. Financial Summary (\$ in Thousands)

<u>C. Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
FY 2009 President's Budget Request (Amended, if applicable)		1,066,462
1. Congressional Adjustments		-2,665
a. Distributed Adjustments		
b. Undistributed Adjustments		
c. Adjustments to meet Congressional Intent		
d. General Provisions - Sec 8101 Economic Assumptions	-2,175	
e. Congressional Earmarks - Indian Lands Environmental Impact	-490	
FY 2009 Appropriated Amount		1,063,797
2. War-Related and Disaster Supplemental Appropriations		15,000
3. Fact of Life Changes		26,974
a. Functional Transfers		
b. Technical Adjustments- FY 2008/FY 2009 Emergency Supplemental unobligated balance carryforward.	26,974	
FY 2009 Baseline Funding		1,105,771
4. Reprogrammings (requiring 1415 Actions)		
Revised FY 2009 Estimate		1,105,771
5. Less: Item 2, War-Related Supplemental Appropriations		-15,000
FY 2009 Normalized Current Estimate		1,090,771
6. Price Change		24,081
7. Functional Transfers		
8. Program Increases		3,268
a. Annualization of New FY 2009 Program		
b. One-Time FY 2010 Increases		
c. Program Growth in FY 2010		

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C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
1) Increase in Disability Compensation reflects the service provider estimates. (FY 2009 Baseline: \$4,059K)	41	
2) Additional Permanent Change in Station (PCS) funds to hire additional personnel to meet recruitment needs across the Agency. (FY 2009 Baseline: \$7,900K).	80	
3) DISA increase results from the stabilization of the rate. (FY 2009 Base: \$3,500K)	340	
4) Communication Services (DISA) increased due to telecommunication bandwidth requirements needed to support and maintain user response time with IT systems. (FY 2009 Baseline: \$6,058K)	2,693	
5) Increase in the Defense Finance and Accounting Services (DFAS) is based on the agency's estimated projections. (FY 2009 Base: \$6,240K)	114	
9. Program Decreases		-59,399
a. Annualization of FY 2009 Program Decreases		
c. Program Decreases in FY 2010		
1) The decrease in personnel compensation is commensurate with a reduction in the supplemental authority (\$13,379K) and 193 full time equivalents. Note: 254 FTES are budgeted within the Defense Acquisition Workforce Development Fund in FY 2010 to continue to improve and increase the size of the acquisition workforce. (FY 2009 Baseline: \$899,237K)	-26,091	
2) Travel funding funded with carryover. (FY 2009 Base: \$28,851K).	-9,470	
3) The decrease in commercial transportations funded with carryover. (FY 2009 Baseline: \$3,081K)	-10	

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C. <u>Reconciliation of Increases and Decreases</u>	<u>Amount</u>	<u>Totals</u>
4) The decrease in GSA rents is due to the agency vacating spaces. (FY 2009 Baseline: \$17,153K)	-483	
5) Utilities decrease to fund other contracts (ISSA). (FY 2009 Baseline: \$1,291K)	-454	
6) Decrease in communication services funded with carryover. (FY 2009 Baseline: \$10,650K)	-4,025	
7) Decrease in rents and leases. (FY 2009 Baseline: \$2,964K)	-365	
8) Decrease in supplies funded with carryover. (FY 2009 Baseline: \$15,037K)	-134	
9) Decrease in equipment maintenance is due to the projected stabilization of cost. (FY 2009 Baseline: \$619K)	-7	
10) The decrease in Facility Sustainment, Restoration, and Modernization (FSRM) funding is due to annual requirements changes. The DCMA FSRM requirements are dependent upon the number of leases expiring and the required movement of personnel. (FY 2009 Base: \$5,640K)	-1,194	
11) The reduction in equipment purchases is due to hardware prices continuing to decrease and purchasing fewer server quantities for consolidation efforts. (FY 2009 Base: \$18,362K)	-4,753	
12) The Department is initiating a plan to improve the oversight of contractor services, acquire those services more effectively, and in-source contractor services where it is appropriate and efficient to do so. In FY 2010, DCMA will replace 7 contractors with 7 government employees, saving \$1.6M. (FY 2009 Baseline: \$0)	-938	

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C. Reconciliation of Increases and Decreases

	<u>Amount</u>	<u>Totals</u>
13) The decrease in other contracts services is due to the reduction in supplemental authority of \$3,512K and changes in program and technical support efforts required to maintain our system applications. (FY 2009 Base: \$61,314K)	-11,475	
FY 2010 Budget Request		1,058,721

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As a combat support agency, DCMA provides a full range of contract administration support to military departments for acquisition of weapons and other critical equipment. 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. 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 a balanced scorecard approach focused on achieving customer outcomes, enabling people to excel, ensuring there are sound contract management processes, and by improving financial management through performance and budget integration. The goals are supported by five overarching performance measures that are associated with the Agency's performance-based mission outcomes. These measures are also 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: 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 facilitates timely closeout of contracts. An increase in productivity and efficiency was sought through use of increased electronic processing of invoices. The Agency's goal for

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IV. Performance Criteria and Evaluation Summary

FY 2008 was to increase payments processed electronically to 95 percent for DCMA-managed contracts and met this goal at 95.3 percent. The Agency has established a goal of 95 percent for FY 2009 through FY 2011.

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. The FY 2008 goal aimed to increase electronic source acceptance documents received and processed to 95 percent for DCMA administered contracts. The Agency attained 95 percent against this goal for FY 2008. The Agency has established a goal of 95 percent for FY 2009 through FY 2010.

3. Unit Cost Productivity: The Agency's mission is to perform contract administration services for DOD Acquisition Enterprise and its partners in accordance with FAR and DFAR regulations in an effective and efficient manner. The DCMA has implemented a unit cost and activity-based management system. The Agency unit cost metric relates DCMA's labor and non-labor costs to the dollar value of open contracts. This goal applies to reducing unit costs in the Basic Contract Management cost pool while maintaining or improving performance in all other cost pools. The DCMA's goal was to reduce the cost per unit of output for basic contract management services {in constant FY 2008 dollars} by three percent annually through improvements in productivity. The forecast assumes stable contract workload and no major change in delegation of contract authority. In FY 2008, the Agency's actual unit cost (2.2) was below the proposed target. The rationale for a decrease in performance is attributed to the fact DCMA Unit cost is based on separate calculations for major weapon systems contracts versus military operations support

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IV. Performance Criteria and Evaluation Summary

contracts. Supporting on-going operations in Iraq and Afghanistan has required major shifts in DOD funding from systems acquisition to operations support. This has driven anomalies in the unit cost data. If the agency had used a composite calculation based on the total contracts managed, the aggregate unit cost would have improved by 9 percent. This anomaly has prompted DCMA to revisit to the unit cost calculation methodology and may subsequently cause a change in this metric calculation in future reports.

Pending the analysis of goal and calculation structure, the Agency will continue to seek a three percent annual reduction in cost per unit of output for basic contract management services {in constant FY 2008 dollars} through improvements in productivity for each of the FY 2009 through FY 2010. 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 Supplement during contract administration. Therefore, this measure tracks DCMA's ability to complete its assigned mission in support of the Global War on Terrorism. Barriers to meet the mission included the Agency's workload significantly increasing, and at the same time, its personnel staffing was significantly reduced and 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. 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 met this goal with a closeout rate of 96.7 percent for FY 2008. Since much of the documentation required to close out contracts is provided by the contractor and other organizations (i.e. Defense

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IV. Performance Criteria and Evaluation Summary

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. DCMA will continue to set a goal of 90 percent contract closeout rate in FY 2009 through FY 2010.

5. Customer Satisfaction: The DCMA goal is to provide the customer with unparalleled contract management and acquisition support when and wherever needed. The customer satisfaction measure provides insight into the customer's satisfaction with the services provided. The feedback provided concerns timeliness, accuracy, professionalism of DCMA personnel, as well as overall satisfaction of the product and services 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 as the Agency strives for a minimum rating of "satisfied." Problems identified in the survey are assessed for corrective action. The Agency met its FY 2008 goal with a 90 percent customer satisfaction rate. The Agency will continue to strive for 90 percent customer satisfaction rate in FY 2009 through FY 2010.

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V. <u>Personnel Summary</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	Change <u>FY 2008/ FY 2009</u>	Change <u>FY 2009/ FY 2010</u>
<u>Active Military End Strength (E/S)</u>	393	559	559	166	
Officer	319	492	492	173	
Enlisted	74	67	67	-7	
<u>Reserve Drill Strength (E/S)</u>	136	41	41	-95	
Officer	105	33	33	-72	
Enlisted	31	8	8	-23	
<u>Civilian End Strength</u>	9,048	9,954	9,284	466	-670
U.S. Direct Hire	9,401	9,864	9,194	463	-670
Foreign National Direct Hire	74	77	77	3	
Total Direct Hire	9,472	9,941	9,271	466	-670
Foreign National Indirect Hire	13	13	13		
<u>Active Military Average Strength (A/S)</u>	393	559	559	166	
Officer	319	492	492	173	
Enlisted	74	67	67	-7	
<u>Reserve Drill Strength (A/S)</u>	136	41	41	-95	
Officer	105	33	33	-72	
Enlisted	31	8	8	-23	
<u>Civilian FTEs</u>	9,349	10,237	9,534	888	-703
U.S. Direct Hire	9,262	10,147	9,444	885	-703
Foreign National Direct Hire	74	77	77	3	
Total Direct Hire	9,336	10,224	9,521	888	-703
Foreign National Indirect Hire	13	13	13		
Memo: Reimbursable Civilians Included	821	867	874	46	7
Avg Annual Civilian Salary (\$ in thousands)	102,420	100,123	105,855		

Note: FY 2009 includes a one-time adjustment to reflect 260 Defense Acquisition Workforce Development Fund (DAWDF) and 250 Expeditionary FTEs. FY 2010 reflects 254 FTEs funded in the DAWDF.

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

<u>OP 32 Line</u>	FY 2008 <u>Actuals</u>	Change FY 2008/FY 2009		FY 2009 <u>Estimate</u>	Change FY 2009/FY 2010		FY 2010 <u>Estimate</u>
		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
101 Exec, Gen'l & Spec Scheds	860,248	32,680	-7,720	885,208	21,957	-26,158	881,008
103 Wage Board	147	6	-1	152	4	0	156
104 FN Direct Hire (FNDH)	5,092	193	13	5,298	131	50	5,479
106 Benefit to Fmr Employees	0	0	680	680	0	17	696
107 Voluntary Sep Incentives	599	0	-599	0	0	0	0
111 Disability Compensation	4,444	0	-385	4,059	0	41	4,100
121 Perm Change of Station	7,654	100	146	7,900	95	80	8,074
199 Total Civ Compensation	878,185	32,978	-7,867	903,297	22,187	-25,970	899,513
308 Travel of Persons	32,627	424	1,204	34,255	411	-9,478	25,188
399 Total Travel	32,627	424	1,204	34,255	399	-9,478	25,188
647 DISA Info Svcs	3,086	22	392	3,500	-340	340	3,500
671 Communication Services (DISA) Tier 2	9,716	390	-4,048	6,058	-36	2,693	8,715
673 DFAS	7,162	-373	-549	6,240	-12	114	6,342
699 Total Purchases	19,964	39	-4,205	15,798	-388	3,147	18,557
771 Commercial Transport	3,258	42	-214	3,087	37	-10	3,114
799 Total Transportation	3,258	42	-214	3,087	37	-10	3,114
901 FN Indirect Hires	711	9	10	729	9	0	738
912 GSA Leases	15,277	382	1,494	17,153	429	-483	17,099
913 Purch Util (non fund)	1,105	14	171	1,291	15	-454	853
914 Purch Communications	8,080	105	2,539	10,724	129	-4,025	6,827
915 Rents, Leases (non GSA)	3,952	51	-1,033	2,971	36	-364	2,642
917 Postal Svc (USPS)	103	0	7	110	0	0	110

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		<u>Price</u>	<u>Program</u>		<u>Price</u>	<u>Program</u>	
920 Supplies/Matl (non fund)	17,034	221	-2,067	15,189	182	-134	15,237
921 Print & Reproduction	153	2	49	204	2	0	206
922 Eqt Maint Contract	487	6	126	619	7	-7	619
923 Facilities Maint Contr	1,912	25	3,703	5,640	68	-1,194	4,513
925 Eqt Purch (non fund)	28,285	368	-10,290	18,362	220	-4,753	13,830
932 Mgt Prof Support Svcs	949	12	-962	0	0	0	0
933 Studies, Analysis & Eval	270	4	-273	0	0	0	0
989 Other Contracts	42,543	553	18,218	61,314	736	-12,403	49,646
998 Other Costs	29	0	0	29	0	0	29
999 Total Other Purchases	120,888	1,754	11,692	134,334	1,834	-23,819	112,348
Total	1,054,922	35,237	612	1,090,771	24,081	-56,131	1,058,721

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