

# **Fiscal Year (FY) 2007 Budget Estimates**

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



February 2006

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**DEFENSE CONTRACT MANAGEMENT AGENCY (DCMA)  
Operations and Maintenance, Defense-Wide  
Fiscal Year (FY) 2007 Budget Estimate**

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

|      | <u>FY 2005</u> | <u>Price</u>  | <u>Program</u> | <u>FY 2006</u>  | <u>Price</u>  | <u>Program</u> | <u>FY 2007</u>  |
|------|----------------|---------------|----------------|-----------------|---------------|----------------|-----------------|
|      | <u>Actuals</u> | <u>Change</u> | <u>Change</u>  | <u>Estimate</u> | <u>Change</u> | <u>Change</u>  | <u>Estimate</u> |
| DCMA | 1,017,597      | 29,727        | -20,300        | 1,027,024       | 22,443        | -9,170         | 1,040,297       |

\* The FY 2005 Actuals column includes \$1,015 thousand of FY 2005 Supplemental funds (PL 109-13), \$1,900 thousand of Hurricane Supplemental funds (PL 108-324, PL 109-61, and PL 109-62), and \$4,900 thousand of FY 2004/FY 2005 Title IX obligations.

\* The FY 2006 Estimate column excludes \$7,630 thousand of FY 2005 Hurricane Supplemental funds.

**I. Description of Operations Financed:**

Defense Contract Management Agency (DCMA) is America's vital link between the warfighter and industry. As the eyes and ears of the warfighter in contractor facilities, DCMA uses its insight into contractor operations to produce predictive information about contractor capability to meet program goals and schedules. DCMA's most important mission is its role as a combat support agency. DCMA provides customers with unparalleled contract management and acquisition support services wherever and whenever needed. DCMA is committed to continuously improving customer service.

DCMA is committed to achieving customer-identified outcomes through the transformation of DCMA's business practices. DCMA has reduced backroom functions/indirect costs, focused efforts on high and moderate risk work, increased investment in training and Human Capital Strategic Planning initiatives, and changed the rules of engagement to focus on customer outcomes.

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

As the military services and Defense Agencies continue to transform, DCMA is faced with many challenges. DCMA has focused its strategic programming process and implemented transformation goals which align the agency to meet the Nation's, Department's, and stakeholders' strategic objectives.

DCMA initiatives reflected in this budget submission include:

- Realigning the Agency's workforce by product line to better support customer outcomes, thus increasing focus on high and moderate risk workload while minimizing efforts on low risk routine workload.
- Increasing DCMA focus on Human Capital and Strategic Planning. Funds are required to reinvigorate Agency training efforts and ensure DCMA's workforce is postured to meet new workload; and
- Providing workforce shaping dollars (Permanent Change of Station, Separation, Management Directed Reassignments, relocation and recruitment bonuses for hard to fill locations and skills) to allow the Agency to adapt to workload changes in this dynamic environment.

**Information Technology**

DCMA continually strives to improve the efficiency and effectiveness of its business processes in order to support the nation's warfighter. The use of Information Technology (IT) is a major component of DCMA's success in this area; DCMA's workforce requires IT tools to perform their jobs and produce superior results.

Specifically, these efforts include applications that impact such vital DoD acquisition business matters as Pre-award Surveys of prospective contractors, contract price negotiation, material acceptances, contractor payment, and industrial workload analyses

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

and assessments. Visibility of key data and information at the team level supports performance-based management, allowing teams to self direct the application of limited resources to the appropriate priorities.

Ultimately, DCMA's customers, the Military Departments and Defense Agencies, benefit from these efforts because of increased access to information such as contractor delivery status, manufacturing progress, quality assurance metrics, status of negotiations with contractors, and faster and more accurate payments to contractors. DCMA customers will be better able to anticipate contract performance difficulties and work with DCMA to resolve them before they impact the warfighter.

In this budget submittal, DCMA displays its IT budget using the Global Information Grid (GIG) and Information Technology/Defense Information Infrastructure (IT/DII) reporting structure. The reporting structure includes: Functional Area Applications, Communication and Computing Infrastructure, Related Technical Activities and Information Assurance. This DCMA IT budget submission continues our focus on Web-basing all DCMA-unique software applications. There are two reasons why DCMA is pursuing such a course:

(1) Web-basing applications dramatically reduces the costs associated with fielding new software mission capabilities. Only a limited handful of central servers need to be updated versus updating the thousands of desktop computers used by the agency's employees.

(2) The move to Web-basing will make DCMA's software applications much more adaptable to the ongoing and future changes in the Department's procurement and financial management systems when they are implemented in accordance with the Department's Financial

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

Management Modernization Improvement Program and Financial Management Enterprise Architecture.

IT infrastructure is vital to DCMA's mission and successful implementation of its initiatives. DCMA's technical architecture defines the computing and communications environment required to meet these goals. As new mission needs and business requirements are identified, DCMA updates its technical architecture.

IT computing and communications infrastructure covers the technical architecture (e.g., desktop computers, Local Area Networks (LANs), LAN servers, operating systems, wide area telecommunications, and system management utilities) needed to deploy, run, and productively use DoD-wide and DCMA-unique mission software applications, the Defense Messaging System, office productivity applications (e.g., Microsoft Office), and Knowledge Management and workgroup collaboration tools. As new mission needs and business requirements are identified, DCMA updates its technical architecture.

An illustrative example of a technical architecture update is the migration from client/server applications to Worldwide Web-based applications supported by a DCMA Integrated Database/Data Mart. This will allow us to improve our Information Assurance capabilities, implement DoD's mandated Public Key Infrastructure (i.e. digital identification and signature certificates, with secure data transmission protocols), and support DoD's Acquisition Excellence and Electronic Business/Electronic Commerce initiatives. These updates will also decrease database administration requirements, reduce software deployment and maintenance costs, increase adaptability to rapidly changing business and mission requirements, and dramatically reduce the time needed to field new functionalities. These updates will also allow us to centrally manage our systems resources for improved reliability and reduced maintenance expenses.

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

DCMA annually replaces one-third of its desktop personal computers and LAN servers because:

(1) It allows DCMA to keep up with the increases in computing power required by successive new generations of operating systems and Commercial-Off-The-Shelf (COTS) software, and to facilitate our transition to Web-based applications and improved central system management.

(2) This cycle matches manufacturers' standard three-year no-cost on-site repair or replacement warranties.

(3) Industry-wide experience shows that computer components (particularly, hard drive storage devices) start failing at accelerated rates in the fourth year after a computer or server's delivery.

(4) The costs of maintenance and repair services for computers and servers whose warranties have expired quickly mount up to the purchase prices for new equipment that would have been covered by three-year warranties.

(5) Computers and servers more than three years old generally cannot cope with the demands imposed by newer software such as the latest versions of Microsoft's Windows operating system and Office line of products. In addition, software vendors typically stop all technical support for their products two years after the introduction of any replacement products. That means that operation of older software on older machines soon results in significant and protracted interruptions of service for end users, and within a relatively short period of time becomes technically non-viable in any sense.

**DISA Tier 2 and Processing**

The Defense Information Service Agency (DISA) serves as a manager for all Defense Information Systems Network (DISN) activities. DISN is a wide-area communications

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

component in the Global Information Grid (GIG). Through DISN, DCMA receives interoperable, secure Internet Protocol (IP) and Asynchronous Transfer Mode (ATM) data communication services. DISA also provides global voice services through the Defense Switched Network (DSN) which is a worldwide private-line telephone network. DISA's charges for these services are included in DCMA's budget under DISA Tier 2 Long Haul.

DCMA's budget also includes charges for DISA Processing and Testbed services for the Mechanization of Contract Administration Services (MOCAS). The DISA Electronic Commerce Centers (DECCs) at Columbus, OH, and Odgen, UT, also maintain 14 test instances of MOCAS for testing MOCAS system modifications before they are put into production. Those test instances are very important given that MOCAS processes approximately 1.5 million contractor invoices worth \$70 billion each year. The agency's DISA processing charges include all expenses related to equipment depreciation and replacement, software, licensing fees, and the DISA labor required to operate and maintain these systems.

**Reimbursable Earnings**

DCMA performs contract management services on a reimbursable basis, and bills most of this reimbursable work monthly at a standard annual rate, for non-DoD customers including support of Foreign Military Sales (FMS), the National Aeronautics and Space Administration (NASA) and other civilian agency customers. Outside Continental United States (OCONUS) reimbursable work (limited in scope) is primarily reimbursed on an actual cost basis. Contract management hours in support of FMS in the Continental United States (CONUS) are computed based on an annual ratio of FMS contract disbursements to total contract disbursements and accounted for 54 percent of the DCMA's actual reimbursable budget for FY 2005. The table below shows the declining annual FMS ratio. We project that the ratio will decline to 4.0 percent in FY 2007, resulting in a decrease of



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

approximately 35 civilian full-time equivalencies personnel. We anticipate that the FMS annual ratio for FY 2008-2011 will continue the declining trend, resulting in further decreases in FMS earnings.

| Fiscal Year | Percent |
|-------------|---------|
| 2000        | 10.2    |
| 2001        | 7.3     |
| 2002        | 6.5     |
| 2003        | 6.2     |
| 2004        | 5.5     |
| 2005        | 4.7     |
| 2006        | 4.1     |
| 2007        | 4.0     |

The majority of the decreases in our DCMA's FMS earnings relate to significant reductions in FMS disbursements on FMS sales to Saudi Arabia. The level of DoD disbursements has significantly risen beginning March 2003 as a result of the war in Iraq. The increased pace of DoD disbursements has impacted the annual ratio (FMS disbursements/Total disbursements (FMS + DOD)).

DCMA hours worked in support of NASA and associated DCMA reimbursable earnings decreased approximately 27 percent from FY 1996 through FY 2000. However, from FY 2000 to FY 2001, the NASA hours stabilized and increased slightly (2.7 percent) due to delegated work to support Johnson Space Center for the Space Shuttle and the International Space Station. The September 11, 2001, terrorist attacks and other safety issues impacted scheduled launches and NASA hours from FY 2001 to FY 2003 decreased by 11.3 percent. During FY 2004 and FY 2005, NASA hours stabilized and increased by 4.9 percent from the FY 2003 actuals. Hurricane Katrina impacted DCMA NASA Product Operations surveillance of several

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NASA facilities (primarily the Michoud Assembly Facility (New Orleans, LA) and the Stennis Space Center (MS) at the end of FY 2005 and the beginning of FY 2006. We anticipate earnings will slightly increase for FY 2006 (4.8 percent) and FY 2007 (7.5 percent) from the FY 2005 level.

**Standard Procurement System (SPS)**

The Standard Procurement System (SPS) is a joint information technology initiative, commenced in 1994 by the Department of Defense (DoD) to enhance readiness and support to warfighters through standardization and optimization of procurement systems and activities across the Army, Navy, Air Force, Marine Corps, Defense Logistics Agency (DLA), Defense Contract Management Agency (DCMA), and other Defense Agencies. During FY 2005, operational procurement professionals relied on SPS, which is currently the DoD's largest standard business system, to complete contract awards in excess of 73 billion dollars.

SPS supports contract writing and contract administration for over 21,000 (target over 43,000) procurement professionals. The Defense Finance and Accounting Service (DFAS) also uses SPS to obtain obligation and receipt data for contract disbursements and reconciliation. As a DoD program that affects three communities (logistics, finance, and acquisition), its broad spectrum of stakeholders exerts a range of influence:

- Assistant Secretary of Defense-Networks and Information Integration (ASD NII): Management and oversight of this ACAT 1AM program. Acquisition control exercised thru the Overarching Integrated Product Team (OIPT).
- Office of the Under Secretary of Defense for Acquisition, Technology and Logistics (OUSD AT&L): (a) Defense Procurement and Acquisition Policy (DPAP): Sponsor and Process Owner of this Joint Program. (b) Supply Chain Systems Transformation (SCST)

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

in support of Defense Procurement and Acquisition Policy (DPAP): Functional management and oversight through the Weapon System Lifecycle Management Business Mission Area (formerly the Acquisition Domain). Functional control exercised through the Acquisition Governance Board (AGB), Acquisition Governance Coordinating Committee (AGCC) and Contracting and Procurement IPT (CAPI).

- Defense Contract Management Agency (DCMA): Planning, Programming, Budgeting, and Execution (PPBE) exercised through the Program Manager, Program Executive Office (PEO), and DCMA.
- Department of the Army, Program Executive Office-Enterprise Information Systems (PEO-EIS): Program control and policy/direction exercised through the Program Manager and the PEO.
- Military Departments and Defense Agencies: Program influence provided via requirements levied through membership in the Acquisition Governance Board (AGB), Acquisition Governance Coordinating Committee (AGCC), Contracting and Procurement IPT (CAPI), Joint Requirements Board (JRB), Technical Working Group (TWG), Reports Working Group (RWG), Sustainment Requirements Board (SRB), Adapter Working Group (AWG), Clause Working Group, SPS Subcommittee of the Defense Acquisition Regulation Council and participation in decentralized product testing.

When fully deployed, SPS will enable retirement decisions for 13 major legacy systems. To date, SPS has been installed completely to five legacy system communities: Automation of Procurement and Accounting Data Entry (APADE) in the U.S. Navy, Base Contracting Automation System (BCAS) in the U.S. Marine Corps, Standard Army Automation Contracting System (SAACONS) in the U.S. Army, Federal Standard Automated Contracting System (SACONS) in other Defense Agencies, and Base Contracting Automation System (BCAS) in the U.S. Air Force.

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Operation and Maintenance funds are being used for SPS support activities, such as Help Desk Support, Program Management Support, Personnel, Software Maintenance, and Travel. Help Desk Support, under the sub-activity software maintenance/COTS, is approximately 56 percent of the Operations and Maintenance budget in all budget years and encompasses the following areas:

- Core help desk support provides SPS users assistance and a mechanism for reporting operational deficiencies and necessary functional system changes.
- Infrastructure support provides assistance to SPS system administrators with database management and corruption issues, software related connectivity issues, and issues relating to software reinstallation, database migrations and self-upgrades.
- Web support provides SPS users with a globally accessible product knowledge base that includes software updates and documents that help users operate the SPS software more efficiently. This medium also provides a real-time, online, ability to generate and monitor the status of service requests.

The management and oversight of SPS and its appropriated resources have been transferred, effective FY 2007, to the Business Transformation Agency (BTA) which was established on October 7, 2005. The following estimates are now included in BTA's SPS funding line: FY 2007, \$13.100 Thousand; FY 2008, \$12.368 Thousand; FY 2009, \$12.873 Thousand; FY 2010, \$13.218 Thousand; and FY 2011, \$13.471 Thousand.

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

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

|                                                       | FY 2006                    |                           |                             |                |                      |                             | FY 2007<br><u>Estimate</u> |
|-------------------------------------------------------|----------------------------|---------------------------|-----------------------------|----------------|----------------------|-----------------------------|----------------------------|
|                                                       | <u>FY 2005<br/>Actuals</u> | <u>Budget<br/>Request</u> | <u>Congressional Action</u> |                |                      | <u>Current<br/>Estimate</u> |                            |
|                                                       |                            |                           | <u>Amount</u>               | <u>Percent</u> | <u>Appropriation</u> |                             |                            |
| <b>A. BA 4 Sub Activities</b>                         |                            |                           |                             |                |                      |                             |                            |
| <b>1. Contract Administration Services</b>            |                            |                           |                             |                |                      |                             |                            |
| Personnel and Compensation and Benefits               | 937,602                    | 928,560                   |                             |                | 928,560              | 949,548                     | 935,158                    |
| Voluntary Separation Incentive Pay                    | 1,000                      | 0,000                     |                             |                | 0,000                | 0,000                       | 0,000                      |
| PCS                                                   | 11,172                     | 14,996                    |                             |                | 14,996               | 12,130                      | 14,465                     |
| Travel                                                | 24,259                     | 24,141                    | -774                        | -3%            | 23,367               | 16,170                      | 23,994                     |
| Training                                              | 14,287                     | 20,893                    | -3,946                      | -19%           | 16,947               | 15,485                      | 19,959                     |
| Finance and Accounting Services                       | 7,055                      | 6,500                     |                             |                | 6,500                | 7,355                       | 6,655                      |
| Furniture and Non-ADP Equipment                       | 3,346                      | 2,030                     |                             |                | 2,030                | 1,894                       | 1,936                      |
| Other Operating Costs                                 | 68,521                     | 47,294                    |                             |                | 47,294               | 66,718                      | 75,480                     |
| Sub Total                                             | 1,067,242                  | 1,044,414                 | -4,720                      | -1%            | 1,039,694            | 1,069,300                   | 1,077,647                  |
| <b>2. DCMA Information Technology</b>                 |                            |                           |                             |                |                      |                             |                            |
| Functional Area Application Communication & Computing | 0,495                      | 0,701                     |                             |                | 0,701                | 0,911                       | 0,925                      |
| Infrastructure                                        | 26,086                     | 33,913                    | -12,578                     | -37%           | 21,335               | 20,206                      | 33,172                     |
| Related Technical Activities                          | 18,712                     | 42,137                    |                             |                | 42,137               | 21,727                      | 20,396                     |
| Information Assurance                                 | 1,511                      | 2,787                     |                             |                | 2,787                | 1,830                       | 3,159                      |
| Sub Total                                             | 46,804                     | 79,538                    | -12,578                     | -16%           | 66,960               | 44,674                      | 57,652                     |
| <b>3. Information Services - DISA Processing</b>      | 4,952                      | 6,998                     |                             |                | 6,998                | 6,028                       | 5,298                      |
| <b>4. Information Services - DISA Tier 2</b>          | 6,685                      | 11,057                    |                             |                | 11,057               | 8,000                       | 8,347                      |

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

|                                                 |              |                        |           |         |     |           |                        |           |  |
|-------------------------------------------------|--------------|------------------------|-----------|---------|-----|-----------|------------------------|-----------|--|
| <b>5. Standard Procurement</b>                  |              |                        |           |         |     |           |                        |           |  |
| <b>System (SPS)</b>                             |              | 12,816                 | 13,036    |         |     | 13,036    | 13,036                 | 0,000     |  |
|                                                 | <b>Total</b> | 1,138,499              | 1,155,043 | -17,298 | -1% | 1,137,745 | 1,141,038              | 1,148,944 |  |
| <b>Less: Reimbursable Earning</b>               |              | 120,902                | 110,721   |         |     | 110,721   | 114,014                | 108,647   |  |
| <b>Appropriated Operation &amp; Maintenance</b> |              | <sup>1</sup> 1,017,597 | 1,044,322 | -17,298 | -2% | 1,027,024 | <sup>2</sup> 1,027,024 | 1,040,297 |  |

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\* The FY 2005 Actual column includes \$1,015 thousands of FY 2005 Supplemental funds (PL-109-13), \$1,900 thousands of FY 2005 Hurricane Supplemental funds (PL 108-324, PL-109-61, and PL -109-62), and \$4,900 thousands of FY 2004/2005 Title IX obligations.

\* The FY 2006 estimate column excludes \$7,630 thousands of FY 2006 Hurricane Supplemental funds (PL 1-9-148)

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

**B. Reconciliation Summary**

|                                                | Change<br><u>FY 2006/FY 2006</u> | Change<br><u>FY 2006/FY 2007</u> |
|------------------------------------------------|----------------------------------|----------------------------------|
| <b>Baseline Finding</b>                        | 1,044,322                        | 1,027,024                        |
| Congressional Adjustment (Distributed)         |                                  |                                  |
| Congressional Adjustment (Undistributed)       | -1,968                           |                                  |
| Congressional Adjustment (Earmark)             | -562                             |                                  |
| Congressional Adjustments (General Provisions) | -14,768                          |                                  |
| <b>Subtotal Appropriated Amount</b>            | <b>1,027,024</b>                 |                                  |
| Fact-of-Life Changes (CY to CY Only)           |                                  |                                  |
| <b>Subtotal Baseline Funding</b>               | <b>1,027,024</b>                 | <b>1,027,024</b>                 |
| Anticipated Supplemental                       | 7,630                            |                                  |
| Reprogramming                                  |                                  |                                  |
| Price Change                                   |                                  | 22,443                           |
| Functional Transfers                           |                                  |                                  |
| Program Change                                 |                                  | -9,170                           |
| <b>Current Estimate</b>                        | <b>1,034,654</b>                 | <b>1,040,297</b>                 |
| Less: Wartime Supplemental                     | -7,630                           |                                  |
| <b>Normalized Current Estimate</b>             | <b>1,027,024</b>                 |                                  |

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| <b><u>C. Reconciliation of Increases and Decreases</u></b>                                                                       | <b><u>Amount</u></b> | <b><u>Totals</u></b> |
|----------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| <b>FY 2006 President's Budget Request</b>                                                                                        |                      | <b>1,044,322</b>     |
| 1. Congressional Adjustments                                                                                                     |                      | -17,298              |
| a. Distributed Adjustments                                                                                                       |                      |                      |
| b. Undistributed Adjustments - Unobligated Balances                                                                              | -1,968               |                      |
| c. Adjustments to meet Congressional Intent                                                                                      |                      |                      |
| d. General Provisions                                                                                                            | <b>-14,768</b>       |                      |
| 1) Sec 8087 - Advisory and Assistance Services                                                                                   | -1,968               |                      |
| 2) Sec 8125 - Economic Assumptions                                                                                               | -1,643               |                      |
| 3) Sec 8109 - Excessive Growth in Travel and Transportation                                                                      | -774                 |                      |
| 4) 1 percent Rescission                                                                                                          | -10,383              |                      |
| e. Congressional Earmarks - Indian Lands Environmental Impact                                                                    | -562                 |                      |
| <b>FY 2006 Appropriated Amount</b>                                                                                               |                      | <b>1,027,024</b>     |
| 2. War-Related and Disaster Supplemental Appropriations                                                                          |                      | 7,630                |
| 3. Fact of Life Changes                                                                                                          |                      |                      |
| <b>FY 2006 Baseline Funding</b>                                                                                                  |                      | <b>1,034,654</b>     |
| 4. Reprogrammings (requiring 1415 Actions)                                                                                       |                      |                      |
| <b>Revised FY 2006 Estimate</b>                                                                                                  |                      | <b>1,034,654</b>     |
| 5. Less: Item 2, War-Related and Disaster Supplemental Appropriations and Item<br>4, Reprogrammings, Iraq Freedom Fund Transfers |                      | -7,630               |
| <b>FY 2006 Normalized Current Estimate</b>                                                                                       |                      | <b>1,027,024</b>     |
| 6. Price Change                                                                                                                  |                      | 22,443               |
| 7. Functional Transfers                                                                                                          |                      | -13,010              |
| a. Transfers In                                                                                                                  |                      |                      |



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| <b>C. <u>Reconciliation of Increases and Decreases</u></b>                                                                                                                                                                                                                                                                                                                                                     | <b><u>Amount</u></b> | <b><u>Totals</u></b> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| b. Transfers Out: The Standard Procurement System transferred to the Business Transformation Agency, established October 7, 2005.                                                                                                                                                                                                                                                                              | -13,010              |                      |
| 8. Program Increases                                                                                                                                                                                                                                                                                                                                                                                           |                      | 34,966               |
| a. Annualization of New FY 2006 Program                                                                                                                                                                                                                                                                                                                                                                        |                      |                      |
| b. One-Time FY 2007 Increases                                                                                                                                                                                                                                                                                                                                                                                  |                      |                      |
| 1) Data collection system modification: Contract support to modify data collection systems to support collection and analysis of disparate data and to adapt management system to support managing by the diverse set of performance indicators. Supports the change from compliance-based management to performance-based management. (FY 2006 Baseline: \$0 thousand)                                        | 3,129                |                      |
| c. Program Growth in FY 2007                                                                                                                                                                                                                                                                                                                                                                                   | <b>31,837</b>        |                      |
| 1) Training increase: FY 2006 baseline was artificially low due to realigning funds to support the workforce. Increased funding supports growing customer demands for technically-oriented support and critical skills. Funds are also required to increase leadership and multifunctional training for succession planning as the current workforce reaches retirement. (FY 2006 Baseline: \$15,485 thousand) | 4,133                |                      |
| 2) Equipment: Re-establishes the replacement cycle, which was interrupted to support the workforce. The planned FY 2007 level supports cyclic IT replacement requirements. (FY 2006 Baseline: \$95 thousand)                                                                                                                                                                                                   | 12,578               |                      |
| 3) Communications services (DISA Tier 2): Due to increased bandwidth requirements. (FY 2006 Baseline: \$8,000 thousand)                                                                                                                                                                                                                                                                                        | 738                  |                      |
| 4) IT support for DCMA infrastructure: Technical contractor support for integrated services, record management, WAN GIG IP router, Unicenter training, and Network Directory Services. (FY 2006 Baseline: \$6,028 thousand)                                                                                                                                                                                    | 2,416                |                      |

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| <b><u>C. Reconciliation of Increases and Decreases</u></b>                                                                                                                                                                                                                                                                                                           | <b><u>Amount</u></b> | <b><u>Totals</u></b> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| 5) Travel: Restore to FY 2005 level. The FY 2006 baseline was artificially low due to realigning funds to support the workforce. Supports the Agency's reorganization to align more closely to products and customers rather than geography. (FY 2006 Baseline: \$16,170 thousand)                                                                                   | 7,468                |                      |
| 6) Other contracts: DCMA is increasing use of contractor support for temporary workload surge at specific locations rather than hiring full time permanent employees. Use of contractor support enables DCMA to hire product-specific, highly technical skills, such as engineering and software support, for short timeframes. (FY 2006 Baseline: \$3,000 thousand) | 2,436                |                      |
| 7) Permanent Change of Station: Increased due to changing customer requirements. DCMA uses PCS to shape the workforce to match customer locations and product-specific skillset requirements. (FY 2006 Baseline: \$12,130 thousand)                                                                                                                                  | 2,068                |                      |
| 9. Program Decreases                                                                                                                                                                                                                                                                                                                                                 |                      | -31,126              |
| a. Annualization of FY 2006 Program Decreases                                                                                                                                                                                                                                                                                                                        |                      |                      |
| b. One-Time FY 2006 Increases                                                                                                                                                                                                                                                                                                                                        |                      |                      |
| c. Program Decreases in FY 2007                                                                                                                                                                                                                                                                                                                                      | -31,126              |                      |
| 1) Personnel compensation: Fewer FTEs. (FY 2006 Baseline: \$863,222 thousand)                                                                                                                                                                                                                                                                                        | -29,572              |                      |
| 2) DISA costs: Decreases in licenses, upgrades, production and testing costs for MOCAS. (FY 2006 Baseline: \$6,028 thousand)                                                                                                                                                                                                                                         | -278                 |                      |
| 3) IT: Replacing legacy Alerts Services with an E-Tool application and reduced commercial off the shelf requirements. (FY 2006 Baseline: \$10,709 thousand)                                                                                                                                                                                                          | -1,276               |                      |
| <b>FY 2007 Budget Request</b>                                                                                                                                                                                                                                                                                                                                        |                      | <b>1,040,297</b>     |

**DEFENSE CONTRACT MANAGEMENT AGENCY**  
**Operation and Maintenance, Defense-Wide**  
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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. 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 and performance standards are oriented toward changing its culture into a performance-based management organization and focusing on achieving customer outcomes. 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. The DCMA has assigned specific targets for the ten mission performance standards associated with the Agency's performance-based mission outcomes discussed below:

1. Ensure 100 percent (FY 2005) certification of DCMA acquisition employees within 18 months of assignment in the Defense Acquisition Workforce Improvement Act (DAWIA) career field and level of their current position or have an approved waiver. The focus of this goal is to (a) accurately identify Defense Acquisition University (DAU) quota requirements and (b) prioritize the distribution of the DAU quotas received. This goal supports the President's Management Agenda regarding strategic management of human capital. DCMA achieved the goal.

**DEFENSE CONTRACT MANAGEMENT AGENCY**  
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**IV. Performance Criteria and Evaluation Summary:**

2. Increase payments processed electronically to 96% by year-end for DCMA-managed contracts. An increase in productivity and efficiency is sought through use of increased electronic processing of invoices. This supports the President's Management Agenda item on expansion of electronic government. The FY 2005 goal target was 93 percent and we achieved 83 percent.

3. Increase acceptance documents for source acceptance received and processed electronically to 91% for DCMA administered contracts. The ultimate goal is to increase the percentage of day-to-day contract administration activities, such as DD250s, conducted electronically. This goal also supports the President's Management Agenda item on expansion of electronic government. The target in FY 2005 was 89 percent and the Agency achieved 80 percent.

4. 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. DCMA has implemented a unit cost and activity-based management system. 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 forecast assumes stable contract workload and no major change in delegation of contract authority. This goal supports the President's management agenda item related to budget and performance integration. The target goal in FY 2005 was -3 percent. The agency exceeded the targeted goal (-6.03 percent).

5. Achieve a rating of five or greater, on a six point scale, on 90 percent (FY 2005) 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. The Agency achieved 93 percent.

**DEFENSE CONTRACT MANAGEMENT AGENCY**  
**Operation and Maintenance, Defense-Wide**  
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**IV. Performance Criteria and Evaluation Summary:**

6. Achieve closeout of contracts 94 percent (FY 2005) of the time within the Federal Acquisition Regulation/Defense Federal Acquisition Regulation Supplement-mandated timeframes. 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. DCMA achieved the goal.

7. Close 90 percent (FY 2005) of all physically complete contracts with final acceptance dates older than five calendar years (from September 30 each year). DCMA strives to close all contracts within the FAR-mandated timeframe, but there is a population of contracts that are already late in closing. DCMA has put special emphasis on closing these contracts. This goal complements goal 6. DCMA achieved 86 percent.

8. Ensure 100 percent (FY 2005) of canceling funds identified as (1) "at risk" of canceling, and (2) will likely require replacement funds, do not cancel. DCMA works canceling funds to minimize the needs for its customers to pay for prior contractual obligations with current funds. DCMA achieved 93 percent.

9. Reduce the quantity of overage contracts on hand by 30 percent (FY 2005). Some of the documentation required to close out contracts is provided by other organizations. DCMA will continue to team with contractors and other agencies to resolve issues and close the contracts. This goal complements goals 6 and 7 above. DCMA achieved 34 percent.

10. Filling 95% of the Critical Mission Occupation Positions, as identified by the DOD/Business Planning Conference, receives special DCMA emphasis. This goal supports the President's Management Agenda regarding strategic management of human capital. The goal was 95 percent in FY 2005. This goal was not rated in FY 2005. This goal will be re-baselined in FY 2006.

**DEFENSE CONTRACT MANAGEMENT AGENCY  
Operation and Maintenance, Defense-Wide  
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**IV. Performance Criteria and Evaluation Summary:**

**Standard Procurement System (SPS)**

**Software Maintenance/COTS**

Help Desk Support, under the sub-activity software maintenance/COTS, is approximately fifty-six percent of the Operations and Maintenance budget in all budget years. The SPS Joint Program Management Office monitors Help Desk metrics monthly for call volume and to ensure that the contractor is meeting the performance criteria. When working on service requests, the SPS Help Desk is required to meet target percentages for average response and average resolution times, as follows:

| SPS Help Desk Metrics                   | 50%      | 75%      | 100%      |
|-----------------------------------------|----------|----------|-----------|
| <b>Monthly Average Response Times</b>   |          |          |           |
| Severity 1 Service Requests             | 4 hours  |          | 8 hours   |
| Severity 2 Service Requests             | 8 hours  |          | 16 hours  |
| Severity 3 Service Requests             | 16 hours |          | 2.5 weeks |
| <b>Monthly Average Resolution Times</b> |          |          |           |
| Severity 1 Service Requests             |          | 24 hours | 60 hours  |
| Severity 2 Service Requests             | 44 hours |          | 96 hours  |
| Severity 3 Service Requests             | 5 weeks  |          | 10 weeks  |

**Definitions:**

Response time is the time it takes an Authorized Caller to be contacted by the first SPS Help Desk analyst who attempts to troubleshoot the Service Request.

Resolution time is calculated as the time required by the SPS Help Desk to identify a correct solution to an Authorized Caller's Service Request, minus any time the SPS Help Desk is awaiting a response from the Authorized Caller or 3rd party vendor Help Desk support staff. Resolution time commences when a Service Request is opened.

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**V. Personnel Summary:**

|                                                 | <u>FY2005</u> | <u>FY2006</u> | <u>FY2007</u> | Change<br><u>FY2005/</u><br><u>FY2006</u> | Change<br><u>FY2006/</u><br><u>FY2007</u> |
|-------------------------------------------------|---------------|---------------|---------------|-------------------------------------------|-------------------------------------------|
| <u>Active Military End Strength (E/S) Total</u> | 599           | 563           | 563           | -36                                       | 0                                         |
| Officer                                         | 507           | 496           | 496           | -11                                       | 0                                         |
| Enlisted                                        | 92            | 67            | 67            | -25                                       | 0                                         |
| <br><u>Civilian End Strength Total</u>          | <br>10,657    | <br>10,639    | <br>9,939     | <br>-21                                   | <br>-700                                  |
| US Direct Hires                                 | 10,569        | 10,548        | 9,841         | -21                                       | -707                                      |
| Foreign National Direct Hire                    | 76            | 76            | 79            | -                                         | 3                                         |
| Total Direct Hire                               | 10,645        | 10,624        | 9,920         | -21                                       | -704                                      |
| Foreign National Indirect Hire                  | 12            | 15            | 19            | 3                                         | 4                                         |
| Memo: Reimbursable Civilian included            |               |               |               |                                           |                                           |
| <br><u>Active Military FTEs Total</u>           | <br>599       | <br>563       | <br>563       | <br>-36                                   | <br>0                                     |
| Officer                                         | 507           | 496           | 496           | -11                                       | 0                                         |
| Enlisted                                        | 92            | 67            | 67            | -25                                       | 0                                         |
| <br><u>Civilian FTEs Total</u>                  | <br>10,800    | <br>10,588    | <br>10,174    | <br>-212                                  | <br>-414                                  |
| US Direct Hires                                 | 10,712        | 10,497        | 10,076        | -215                                      | -421                                      |
| Foreign National Direct Hire                    | 76            | 76            | 79            | -                                         | 3                                         |
| Total Direct Hire                               | 10,788        | 10,573        | 10,155        | -215                                      | -418                                      |
| Foreign National Indirect Hire                  | 12            | 15            | 19            | 3                                         | 4                                         |
| Memo: Reimbursable Civilian included            | 941           | 897           | 855           | -44                                       | -42                                       |
| <br>Average Annual Civilian Salary              | <br>84,801    | <br>88,210    | <br>90,243    |                                           |                                           |

**DEFENSE CONTRACT MANAGEMENT AGENCY**  
**Operation and Maintenance, Defense-Wide**  
**Fiscal Year (FY) 2007 Budget Estimates**

|                                                                                                               | Change from<br>FY 2005 to FY 2006 |                 |                   | FY 2006<br>Estimate | Change from<br>FY 2006 to FY 2007 |                   |                     |
|---------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------|-------------------|---------------------|-----------------------------------|-------------------|---------------------|
|                                                                                                               | FY 2005<br>Actuals                | Price<br>Growth | Program<br>Growth |                     | Price<br>Growth                   | Program<br>Growth | FY 2007<br>Estimate |
| <b><u>Civilian Personnel Compensation</u></b>                                                                 |                                   |                 |                   |                     |                                   |                   |                     |
| Executive, General And Special                                                                                |                                   |                 |                   |                     |                                   |                   |                     |
| 101 Schedules                                                                                                 | 856,477                           | 27,407          | -20,662           | 863,222             | 20,897                            | -29,573           | 854,582             |
| 103 Wage Board                                                                                                | 353                               | 11              | -43               | 321                 | 8                                 | 37                | 366                 |
| 104 Foreign National Direct Hires (Fndh)                                                                      | 4,451                             | 142             | -38               | 4,555               | 110                               | -54               | 4,611               |
| 106 Benefits To Former Employees                                                                              | 545                               | 0               | 1,015             | 1,560               | 0                                 | -18               | 1,542               |
| 107 Voluntary Separation Incentive Pay                                                                        | 1,000                             | 0               | -1,000            | 0                   | 0                                 | 0                 | 0                   |
| 111 Disability Compensation                                                                                   | 4,465                             | 0               | 75                | 4,540               | 0                                 | 0                 | 4,540               |
| 199 Total Civilian Personnel Compensation                                                                     | 867,291                           | 27,560          | -20,653           | 874,198             | 21,015                            | -29,572           | 865,641             |
| <b><u>Travel</u></b>                                                                                          |                                   |                 |                   |                     |                                   |                   |                     |
| 308 Travel Of Persons                                                                                         | 27,049                            | 649             | -4,270            | 23,428              | 380                               | 10,171            | 33,979              |
| 399 Total Travel                                                                                              | 27,049                            | 649             | -4,271            | 23,428              | 380                               | 10,171            | 33,979              |
| <b><u>Transportation</u></b>                                                                                  |                                   |                 |                   |                     |                                   |                   |                     |
| 771 Commercial Transportation                                                                                 | 1,712                             | 34              | 677               | 2,423               | 51                                | -649              | 1,825               |
| 799 Total Transportation                                                                                      | 1,712                             | 34              | 677               | 2,423               | 51                                | -649              | 1,825               |
| <b><u>Other Purchases</u></b>                                                                                 |                                   |                 |                   |                     |                                   |                   |                     |
| 901 Foreign Nationals Indirect Hires                                                                          | 714                               | 17              | -271              | 460                 | 11                                | -1                | 470                 |
| 912 Gsa Leases                                                                                                | 12,851                            | 308             | 864               | 14,024              | 351                               | -726              | 13,649              |
| 913 Purchase Utilities (Non-Fund)                                                                             | 547                               | 13              | -41               | 519                 | 12                                | 41                | 572                 |
| 914 Purchase Communications (Non-Fund)                                                                        | 5,753                             | 138             | 1,006             | 6,897               | 166                               | -1,065            | 5,998               |
| 915 Rents And Leases (Non-Gsa)                                                                                | 1,495                             | 36              | 395               | 1,926               | 46                                | -380              | 1,592               |
| 917 Postal Service (U.S.P.S.)                                                                                 | 129                               | 0               | 10                | 139                 | 0                                 | -10               | 129                 |
| 920 Supplies & Materials (Non-Fund)                                                                           | 14,219                            | 341             | 26                | 14,586              | 350                               | -1,575            | 13,361              |
| 921 Printing & Reproduction                                                                                   | 271                               | 7               | 36                | 314                 | 8                                 | -33               | 289                 |
| 922 Equipment Maintenance By Contract<br>Facility Substainment, Restoration,<br>And Modernization By Contract | 875                               | 21              | 65                | 961                 | 23                                | -55               | 929                 |
| 923 Equipment Purchases (Non-Fund)                                                                            | 1,019                             | 24              | 2,302             | 3,346               | 80                                | 76                | 3,502               |
| 925 Contract Consultants<br>Management And Professional Support<br>Services                                   | 10,207                            | 245             | -10,357           | 95                  | 2                                 | 12,579            | 12,676              |
| 931 Contract Consultants                                                                                      | 16,125                            | 387             | -16,512           | 0                   | 0                                 | 0                 | 0                   |
| 932 Services                                                                                                  | 752                               | 18              | 56                | 826                 | 20                                | -47               | 799                 |



**DEFENSE CONTRACT MANAGEMENT AGENCY**  
**Operation and Maintenance, Defense-Wide**  
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|                                            | Change from                      |                               |                                 | FY 2006<br><u>Estimate</u> | Change from                   |                                 |                                   |
|--------------------------------------------|----------------------------------|-------------------------------|---------------------------------|----------------------------|-------------------------------|---------------------------------|-----------------------------------|
|                                            | FY 2005 to FY 2006               |                               |                                 |                            | FY 2006 to FY 2007            |                                 |                                   |
|                                            | <u>FY 2005</u><br><u>Actuals</u> | <u>Price</u><br><u>Growth</u> | <u>Program</u><br><u>Growth</u> |                            | <u>Price</u><br><u>Growth</u> | <u>Program</u><br><u>Growth</u> | <u>FY 2007</u><br><u>Estimate</u> |
| 989 Other Contracts                        | 37,434                           | 898                           | 22,920                          | 61,252                     | 1,470                         | 1,611                           | 64,333                            |
| 998 Other Costs (Interest)                 | 462                              | 11                            | -226                            | 247                        | 6                             | 0                               | 253                               |
| 999 Total Other Purchases                  | 102,855                          | 2,464                         | 275                             | 105,592                    | 2,545                         | 10,415                          | 118,552                           |
| <b><u>Information Services</u></b>         |                                  |                               |                                 |                            |                               |                                 |                                   |
| 647 Disa Information Services (Megacenter) | 4,952                            | 84                            | 992                             | 6,028                      | -452                          | -278                            | 5,298                             |
| 671 Communication Services (Disa) Tier 2   | 6,685                            | -874                          | 2,189                           | 8,000                      | -390                          | 737                             | 8,347                             |
| Total Information Services                 | 11,637                           | -790                          | 3,181                           | 14,028                     | -842                          | 459                             | 13,645                            |
| <b><u>Financial Operations</u></b>         |                                  |                               |                                 |                            |                               |                                 |                                   |
| Defense Finance And Accounting             |                                  |                               |                                 |                            |                               |                                 |                                   |
| 673 Services                               | 7,055                            | -190                          | 490                             | 7,355                      | -706                          | 6                               | 6,655                             |
| Total Financial Operations                 | 7,055                            | -190                          | 490                             | 7,355                      | -706                          | 6                               | 6,655                             |
| Total Operations And Maintenance (O&M)     |                                  |                               |                                 | 1,027,024                  |                               |                                 |                                   |
|                                            | 1,017,597                        | 29,730                        | -20,303                         | 4                          | 22,614                        | -9,341                          | 1,040,297                         |

\*The FY 2005 Actual column includes \$1,015 thousands of FY 2005 Supplemental funds (PL 109-13), \$1,900 thousands of FY 2005 Hurricane Supplemental funds (PL 108-324, PL 109-61, and PL 109-62), and \$4,900 thousands of FY 2004/2005 Title IX obligations (PL 108-287).

\* The FY 2006 Estimate column excludes \$7,630 thousands of FY 2006 Hurricane Supplemental funds (PL 109-148).