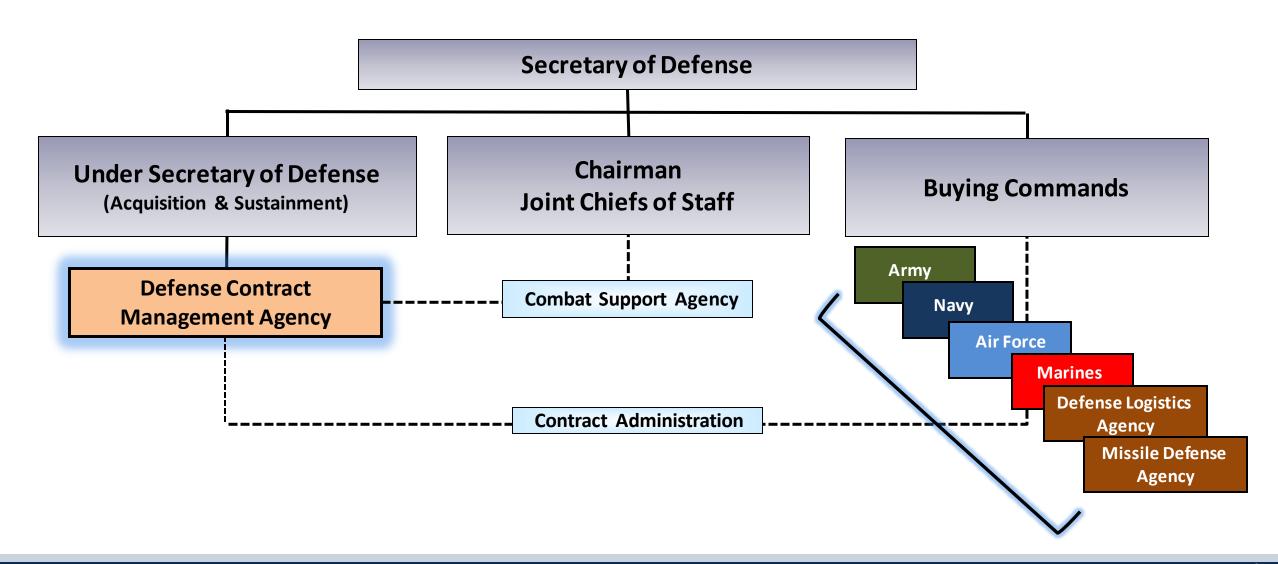


# Naval Postgraduate School Acquisition Research Symposium

Vice Admiral David H. Lewis Director, Defense Contract Management Agency 10 May 2018



# **Defense Acquisition Community**





# **DCMA Authority and Functions**

- Contract Administration Functions FAR 42.302(a) / DFARS 242.302(a)
  - 78 functions (normally assigned to DCMA) if we administer the contract\*
    - Incorporates broad range of disciplines: Contract Administration, Engineering, Quality Assurance, Financial Management and Payments, Higher level Financial Analysis, Project Management, Industrial and Property Management, Safety, Aviation, and Accounting
  - 4 functions must be performed by DCMA if we administer the contract
    - Negotiation of forward pricing rate agreements
    - Establishment of final indirect cost rates and billing rates
    - Determination of contractor's compliance with Cost Accounting Standards; including disclosure statement adequacy & compliance
    - Adequacy determination of the contractor's accounting system

<sup>\*</sup> Contracts not administered by DCMA enumerated at DFARS 242.202(a)(i)



# Where DCMA Assists by Phase

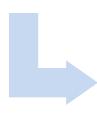
DEFENSE CONTRACT MANAGEMENT AGENCY

Pre-Award/ **Steady State** 

- Production capacity
- Surveys
- Financial Stability
- Pricing Support
- Indirect/direct rate insight and negotiations
- Business system insight

RFP/Source Selection

- Proposal analyses
- Contract/clause construction
- Market research/assessment
- Reality of production promises
- Lessons learned
- Anticipated tech shifts
- Assess Risk
- Negotiation Assist
- Corporate motivations for incentive structures



Contract Performance/

> Milestone **Decisions**

- Program Assessment Reports
- Contractor Performance Assessment Report input
- Payment authorizations/withholds

70+ Functions of CAS

- Root cause analyses
- Production status
- Delivery status

- Subcontract insight
- Fraud investigations Small business compliance

**Green – Primary Functions Orange – Optional** 



Closeout

- Negotiate final rates
- Reconcile deliverables
- Contract closeouts
- Property disposition
- Funds Release





# **DCMA** at a Glance

DEFENSE CONTRACT MANAGEMENT AGENCY

Sco	pe	of	W	or l	k
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Total Contract Amount	\$5.1 trillion	
Obligated Amount	\$2.0 trillion	
Serviced Contractor Locations	19,495	
Active Contracts	343,261	
Contract Unliquidated Obligations	\$232.4 billion	
ACAT I (IAC, IC, ID) & II Programs	163	
Aircraft Accepted (FY17)	1,354	
Aircraft Acceptance Flying Hours (FY17)	16,810	
Oversight of Government Property	\$154.6 billion	
Progress Payments	\$19.7 billion	
Performance-based Payments	\$12.3 billion	

## **Span of Control**

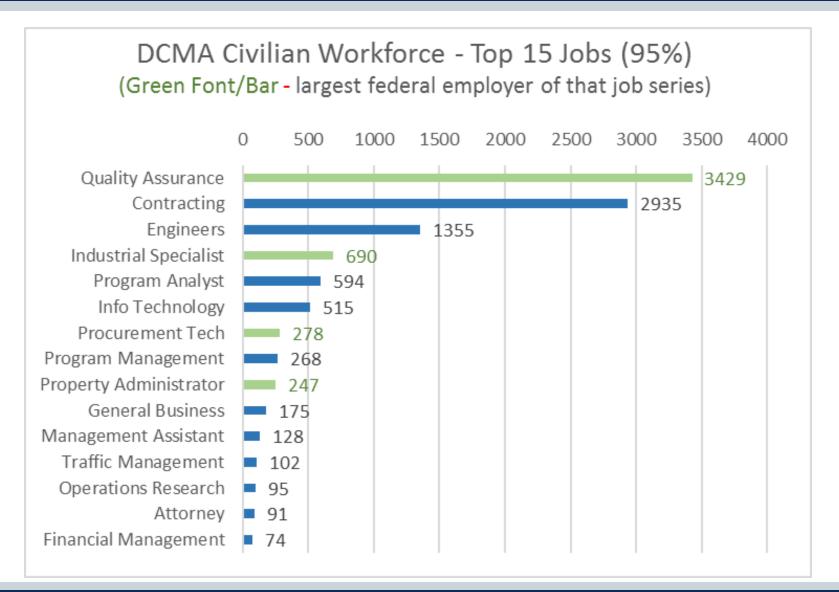
Civilians On-Board	11,258	
Military (Active Duty – 390, Reserve – 147)	537	
Budget Authority	\$1.46 billion	
Reimbursable Target	\$231.9 million	

DCMA authorizes \$630 million in contractor payments per business day

Ensuring the Warfighter gets what was ordered on time and at the right cost



# **DCMA Civilian Workforce**





# DCMA Value to DoD – FY17 (Validated)

DEFENSE CONTRACT MANAGEMENT AGENCY

## DCMA <u>Measurable</u> Return on Investment (ROI)

- Saved: \$691.5M
  - Contract terminations, EEO claims, property administration, surge support efforts (negotiated) and travel savings
- Recovered: \$781.3M
  - Contract litigation, cost accounting standards, fraud cost recoveries, incurred cost settlements, and property claims
- Cost Avoided: \$3.651B
  - Commercial pricing, EEO settlements, contract litigation, property and plant clearance, surge support efforts (recommended) and worker's comp claims
- Projected savings over the next 3-5 years: \$2.65B
  - Forward Pricing Rate Agreements and Recommendations (FPRAs and FPRRs)

## **DCMA Contribution to Lethality**

• In FY17 Delivered **741.2M** items worth **\$173.3B** to the warfighter

**\$5.12B** actually saved, recovered and cost avoided against a \$1.4B budget = **3.65:1** Return on Investment



# **FY18 Product Deliveries by Service**

(Through March 2018)

DEFENSE CONTRACT MANAGEMENT AGENCY

### **JAN 2018**

## 72% On-Time Delivery

Platform Deliveries (Unit Cost > \$1M)

## **Magnitude of Item Deliveries**

#### Aircraft

- 2 Fighters (\$95.2M)
- 4 Tiltrotor (\$259.1M)
- 1 Electronic Warfare (\$60.1M)
- 4 Anti-Submarine Warfare (\$554.4M)
- 8 Helicopters (\$129.6M)

8 Aircraft Engines (\$163.1M)

15 Missiles (\$25.4M)

32 Combat Vehicles (\$68.5M)

5 Targeting Pod Enhancements (\$8.1M)

6 Countermeasure Systems (\$9.7M)

1 Sensor Netting System (\$1.5M)

### **Total Items**

- 36.3M items delivered
- \$4.3B in total product deliveries

#### **DLA Contract Items**

- 7M items delivered
- \$600M in total product deliveries

### Program Items

- 49.6K items delivered
- \$1.9B in total product deliveries

**Direct Warfighter Support** 

### OCT 2017 – MAR 2018

## 71% On-Time Delivery

### Platform Deliveries (Unit Cost > \$1M) Magnitude of Item Deliveries

### Aircraft

- 34 Fighters (\$2.8B)
- 28 Tiltrotor (\$1.9B)
- 18 Transport (\$1.1B)
- 5 Electronic Warfare (\$300.5M)
- 2 Airborne Early Warning (\$289.1M)
- 11 Anti-Submarine Warfare (\$1.5B)
- 1 UAV
- 145 Helicopters (\$1.8B)

56 Aircraft Engines (\$600M)

440 Missiles (\$1.3B)

40 Missile Systems (\$387.5M)

182 Combat Vehicles (\$481.6M)

13 Targeting Pod Enhancements (\$19.5M)

26 Countermeasure Systems (\$49.2M)

3 Radar Systems (\$63.4M)

18 Sonar Systems (\$59.3M)

2 Assault Bridges (\$8.9M)

### **Total Items**

- 281.6M items delivered
- \$40.1B in total product deliveries

### **DLA Contract Items**

- 49.3M items delivered
- \$4.9B in total product deliveries

### **Program Items**

- 941.2K items delivered
- \$21.5B in total product deliveries



# Presence in the U.S.

#### DEFENSE CONTRACT MANAGEMENT AGENCY



## DCMA Western Region HQ – Carson, CA

### **Contract Management Offices**

- Boeing Huntington Beach, CA
- Denver, CO
- Lockheed Martin Denver, CO
- Lockheed Martin Sunnyvale, CA
- Los Angeles, CA
- Palmdale, CA
- Phoenix. AZ
- Raytheon, Tucson, AZ
- Santa Ana, CA
- Stockton, CA
- NPO (NASA Product Operations), San Antonio, TX

## DCMA Central Region HQ – Chicago

### **Contract Management Offices**

- Bell Helicopter,
  Forth Worth, TX
- Boeing, St. Louis, MO
- Chicago, IL
- Dallas, TX
- Dayton, OH
- Detroit, MI
- Huntsville, AL
- Lockheed Martin, Forth Worth, TX
- Twin Cities, MN
- AIMO (Aircraft Integrated Maintenance Office)
   Operations), St. Augustine, FL

## DCMA Eastern Region HQ – Boston

#### **Contract Management Offices**

- Atlanta, GA
- Baltimore, MD
- Boeing, Philadelphia, PA
- Boston, MA
- Garden City, NY
- -Hampton, VA
- Hartford, CT
- Lockheed Martin, Marietta, GA
- Lockheed Martin, Moorestown, NJ
- Lockheed Martin, Orlando, FL
- Manassas, VA
- Orlando, FL
- Philadelphia, PA
- Raytheon, Tewksbury, MA
- Sikorsky Aircraft,
  Stratford, CT
- Springfield, NJ
- APO (Aircraft Propulsion Operations), Hartford, CT
- NSEO (Naval Special Emphasis Operations), Philadelphia, PA

### **DCMA Centers**

- Business Integration Center
- Business Operations Center
- Closeout Center
- Contract Integrity Center
- Contracts Disputes
  Resolution Center
- Earned Value Management
  Systems Center
- Cost & Pricing Center
- Logistics Center
- Safety Center
- Small Business Center

### **Special Programs**

### **Contract Management Offices**

- Linthicum, MD
- Addison TX
- Laguna Niguel, CA



# **DCMA** International





# **Acquisition Lifecycle**

Rates-Forward Pricing (FPRR&FPRA)/Final Indirects

**Overhead Should Cost Reviews** 

**Contract Audit Follow Up\*** 

Payments Authorization ~\$630M/Day

Pension Analysis\*

**Commercial Item Analysis\*** 

**Terminations** 

**Business System Adequacy\* and CBAR Repository Upkeep** 

**Cancelling Funds** 

**Cost & Pricing Support\*** 

**Contingency Contracting Force Provider\*** 

**Contract Novation Actions** 

**Corporate Assessment** 

Mission Assurance & Industrial Base Viability

**DCMA** activities across contractor base

\*ATL chartered provider

Materiel	Technology	Engineering &	Production	Operations	7
Solution	Maturation &	Manufacturing	&	&	
Analysis	<b>Risk Reduction</b>	Development	Deployment	Support	

**Pre-Award Surveys Negotiation Intelligence/Support to Contract Award Financial Capability Reviews** 

**Program Support Modifications Acceptance and Delivery Contract Closeout** 



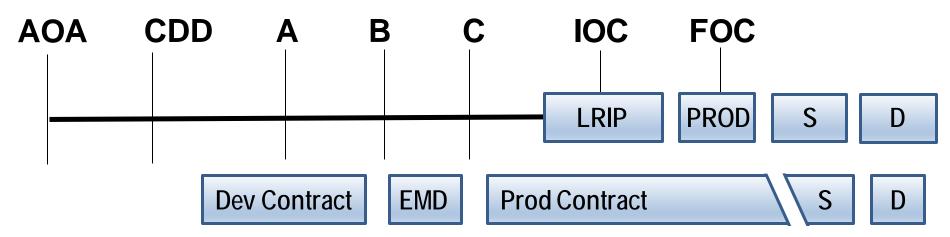
**DCMA** activities specific to individual contracts



# Acquisition vs. "Acquisition"

DEFENSE CONTRACT MANAGEMENT AGENCY

# As taught



# **Reality**

A B C **Disposal Production Sustainment End Production** Retire **Start Production** B-52 1952 B-52 1963 **B-52 TBD** F-15 1974 F-15 2022 **F-15 TBD** F-16 1975 F-16 TBD F-16 TBD

DDG-51 2030

DDG-51 1985

DDG-51 TBD





- Feedback loop to program office
- "Real metrics"?
- Services' best practices on modernization (Reset, SLEP, etc.)
- Driving innovation (e.g., Sig Sauer pistols)
- Use of commercial items
- Model for productivity
- Design for modernization



# Thoughts on Research (cont.)

- DAWIA Certification vs Commercial Certification
  - Are there alternatives to DAWIA certification that could be satisfied by industrial/commercial certification?
- Contract Administration career field
- Cost and Pricing career field



# **Failed Programs**





