Fiscal Year 2013 Budget Estimates

Defense Contract Management Agency (DCMA)

February 2012

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Defense Contract Management Agency
Operation and Maintenance, Defense-Wide
Fiscal Year (FY) 2013 Budget Estimates

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

	FY 2011 Actuals	Price Change	Program Change	FY 2012 Estimate	Price Change	Program Change	FY 2013 Estimate
DCMA	1,171,110	1,020	-27,119	1,145,011	6,631	141,554	1,293,196

* The FY 2011 Actuals column <u>includes</u> $84,972 thousand of FY 2011 Overseas Contingency Operations (OCO) Appropriations funding (P.L. 112-10).
* The FY 2012 Estimate column **<u>excludes</u>** $87,925 thousand of the FY 2012 OCO Appropriations funding (PL 112-74).
* The FY 2013 Estimate column **<u>excludes</u>** $69,803 thousand requested in the FY 2013 Defense-Wide OCO Budget Request.

I.   Description of Operations Financed: The DCMA is a Department of Defense (DoD) Combat Support Agency responsible for ensuring the integrity of the Government contracting process and for providing a broad range of acquisition management services. The DCMA has two primary missions: 1) providing Contract Administration Services (CAS) to their military services worldwide and 2) providing contingency contract support in theater.   Their mission is to provide Contract Administration Services to the Department of Defense Acquisition Enterprise and its partners to ensure delivery of quality products and services to the warfighter, on time and on cost.   The Agency has worldwide acquisition impact through three Field Directorates (Operations, International, and Special Programs).   The Agency's Field Directorates are regionally based.

The Agency's civilian and military personnel are located in over 730 locations, managing over 19,593 contractors and more than 334,398 active contracts.   These contracts have a total face value of $3.234B of which $1.568B has been obligated.   Of this amount, $237B is current work in process in contractors' facilities.   The Agency's responsibilities include managing ACAT I and II programs, $134B of Government property in-plant, $9B in progress payments, and $31B in performance-based payments.

The DCMA's specific contractual responsibilities are derived from the Federal Acquisition Regulations (FAR) and the Defense Federal Acquisition Regulation Supplement (DFARS).

I. Description of Operations Financed (cont.)

These requirements are embedded in the contracts issued by the Military Services and then delegated to the DCMA to administer. They are Operations and Maintenance (O&M) funded to provide contract management services to the Military Services.

Lead Agency for Earned Value Management (EVM)

The DCMA is the DoD lead agent for Earned Value Management (EVM**),** and has a vital role in contract pricing. It provides a crucial link of communication between procuring activities and the contractor's contract performance. As the lead agent, the Agency validates the contractors' Earned Value Management Systems to ensure the contractor has an acceptable system for tracking cost, schedule and performance. In the communication of contractor performance, the DCMA has a major role in facilitating resolution of acquisition problems/issues by providing strategic information on programs and contract performance through the program management and integration acquisition function. The DCMA is the key linkage of communication to the procuring activities of contract issues and risks. The DCMA analyzes its day-to-day contract oversight operations activities and provides vital information on cost, schedule, and performance to the procuring activities' program managers and contracting officers.

Business Operations

The DCMA's business operations area consists primarily of contracting and property competencies. The DCMA's contracting personnel includes Corporate Administrative Contracting Officer (CACOs), Divisional Administrative Contracting Officers (DACOs), Administrative Contracting Officers (ACOs), Contract Administrators (CAs), Contract Specialists, Termination Contracting Officers (TCOs), Procurement Analysts, Small Business Specialists, Cost and Pricing Analysts, and Cost Monitors. Some of the primary tasks performed by the DCMA contracting personnel include:
- Oversee and monitor contractor performance and Resolve contract disputes
- Assess and evaluate contractor business and management systems

I. **Description of Operations Financed (cont.)**
   - Negotiate Forward Pricing Rate Agreements and Final Overheads
   - Determine contractor's financial resources to satisfactorily perform tasks
   - Resolve CAS non-compliances, Close contracts, and approve Disclosure Statements
   - Ensure small businesses subcontracting opportunities from prime contractors
   - Conduct Procurement Management Review (PMRs) on behalf of Director, Defense Procurement and Acquisition Policy (DPAP)

The Department has made rebuilding cost and pricing capabilities a top priority. In an effort to meet this urgent requirement of the customer, the DCMA has taken a number of substantive actions:
   - Established the Cost and Pricing Center
   - Established the Proposal Analysis Group
   - Established the Forward Pricing and Indirect Cost Group
   - Established the Data Analysis, Training and Recruitment Group
   - Established the CACO Group.
   - The Defense Corporate Executives of the top five DoD companies were aligned to the Center to address the loss of expertise at the Contract Management Office (CMO) and corporate contracting level
   - All CACOs were transferred to the Center to insure consistency in the application of complex cost issues across the corporate community
   - The Financial Capability Group was aligned into the Cost and Pricing Center to further enhance capability

Termination Contracting Officers
The DCMA maintains a cadre of Termination Contracting Officers whose mission is to settle contracts terminated for the convenience of the Government. When a buying command terminates a contract: the DCMA determines the amount of money due to the contractor; negotiates a settlement; and handles disposition of any property required by the

I.   Description of Operations Financed (cont.)

Government. The Terminations Division is a "cradle to grave" provider for termination settlements. In April 2009, the Termination Division had $3.3 billion in workload. As of January 2011, the workload had grown to $15.6 billion (almost five-fold increase). Furthermore, given the current fiscal environment, likely DoD program cuts will result in additional workload for the Termination Division. The Agency will increase its termination workforce in order to mitigate risk of greatly delaying settlements, which will impact contractors in the industrial base.

Property Management and Plant Clearance Divisions

The DCMA administers the terms of the contract provisions that specify the contractor's obligations to acquire, control, use, care for, report, and dispose of Government property. The DCMA ensures that proper management of Government property is implemented by defense contractors and oversight is provided by Property Administrators and Plant Clearance Officers. The mission of the DCMA's Property Division is to ensure that contractors' property management systems adequately provide for the control, use, preservation, protection, repair and maintenance of the Government property in their possession. The DCMA also has a Plant Clearance Division responsible for timely and cost effective reutilization, sale and disposal of excess Government property in the possession of contractors.

Property Management

Historically, the property workload has steadily grown and is projected to continue increasing through the Fiscal Year Defense Plan. Ongoing operations in Iraq and Afghanistan are driving wear and tear on the defense equipment inventory and recapitalizing the inventory will further drive property management requirements. In addition, on-going Overseas Contingency Operations (OCO) has increased workload for the DCMA property specialists. To more efficiently and effectively support OCO and augment Outside the Continental United States (OCONUS) DCMA civilian forces, the Agency

I.   Description of Operations Financed (cont.)

established reach back support in the investigation and determinations of liability for Loss, Theft, Damaged or Destroyed (LTDD) of Government property. Under this initiative, the DCMA provides the oversight of contractor's property management systems thus allowing deployed Property Administrators to focus on more critical aspects of the OCO property mission.

With additional property management workforce capabilities, the misuse and/or loss of Government property, which would result in increased contract/program costs, will be minimized. Contract closeout will also be enhanced. When Government property is no longer required in performance of contract requirements, the DCMA manages the plant clearance process in which they:

- Evaluate the adequacy of the contractor's property disposal procedures
- Review inventory disposal schedules
- Conduct/arrange for verification/allocability review of property prior to disposal
- Screen excess property with Owning Agency/General Services Administration (GSA) (federal agencies/donees)
- Determine appropriate method of disposal for items not selected for reutilization
- Monitor the contractor's property disposal/sale process
- Review bids submitted for sale of surplus property and make sale awards
- Ensure that sales proceeds are collected and properly credited
- Ensure disposal is accomplished in a timely manner
- Close plant clearance cases and Support disposition reviews
- Advise and assist the contractor, contracting officer, inventory manager, federal agencies and eligible donees in actions related to disposal of contractor inventory
- Instruct contractors on the preparation of inventory schedules and use of the Plant Clearance Automated Reutilization Screening System (PCARSS)
- Approve requisitions and ensure timely shipment of property by contractors

I.   Description of Operations Financed (cont.)

Plant Clearance

Plant clearance workload increased commensurate with the increase in cost type contracts when Government property is acquired and with the recent spike in terminated programs and property work stemming from OCO operations and the drawdown in Iraq. This workload is expected to continue at high levels through the FYDP. An increase in the plant clearance workforce will minimize the risk of increased Lost, Theft, Damaged and Destroyed (LTDD) property as well as demilitarization of Government property work not being performed.

Technical Workforce

This workforce performs multiple functions across several professional series in support of systematic monitoring and evaluation of DoD contractors to ensure critical material delivered to the warfighters is in compliance with contractual standards and readiness requirements. The DCMA technical workforce consists of two main functional areas: Quality Assurance (QA) and Engineering & Analysis (EA). The technical workforce monitors and evaluates critical contractor systems and processes for a broad range of programs covering the spectrum of products ranging from large complex programs such as Naval Nuclear Propulsion, Level I (L1)/ Submarine Safety (SUBSAFE), Fighter and Cargo Aircraft, Shipboard Components, Missiles, Satellites, and ground vehicles such as Mine Resistant Ambush Protected (MRAPs)to items that are shipped directly to the war effort such as spare parts, ammunition, and body armor.

Quality Assurance Workforce

The DCMA's QA workforce is the first line of assurance that the Department and its warfighters are receiving the right product and that when it arrives it functions as designed. These QA employees possess specialized skills in many areas including Non-Destructive Testing and Inspection and process evaluations, and commodity expertise in areas such as Aircraft production, electronics, explosives, and ammunition. Workload has been increasing significantly in the following areas:

I.   Description of Operations Financed (cont.)

- Safety of Flight inspections in support of Depot Maintenance requirements; due to increased aging aircrafts
- Requirements for critical surveillance on Critical Safety Items parts
- Material Review Board activities
- Number of Mandatory Government Inspection points
- Number of contracts with Higher Level Quality Requirements
- Number of contracts requiring First Article Testing (FAT)
- Changes to Critical Safety Item (CSI) identification process

The DCMA QA has also become an integral part of the war effort providing oversight of contractor provided services such as: power generation, dining facilities, fuel, water supplies, and life, health and safety of warfighters. The Agency's QA workforce also supports the Department's Foreign Military Sales (FMS) program by surveilling contractor performance on contracts for our allies in both CONUS and OCONUS areas. Additionally, The Department of State (DoS) has recently recognized the need for QA support and has received approval from the DoD for QA support as the mission in Iraq transfers from DoD to DoS. A large portion of the Agency's planned growth has been designated to mitigate the risks in the quality assurance area and address the new missions.

Engineering and Analysis (EA) Workforce
The DCMA's Engineering and Analysis (EA) workforce possess specialized skills in many areas including Systems Engineering, Software Engineering, Manufacturing and Scheduling, Supply Chain Management, Earned Value Management, Industrial Analysis, and Program Integration. They perform work on extremely complex systems involving high technology with significant software requirements. Between 2000 and 2008 the EA workforce declined by approximately 20 percent. During this same period of time Unliquidated Obligations

I.   **Description of Operations Financed (cont.)**

(ULO) increased by $115 billion. The Engineering and Analysis workload has been significantly increasing in the following areas:

- Higher systems engineering requirements in ACAT programs
- Increased emphasis on ensuring that earned value data is accurate and provides valid information to Program Managers (PMs) and senior DoD officials for decision making. This includes increased demand for validated contractor systems as well as independent assessments of Earned Value data in support of Defense Acquisition Executive Summary (DAEs) and major program reviews.
- Increases in contracts requiring First Article Testing (FAT requires the Engineering and Manufacturing specialist ensure that the contractor test procedures actually meet the contracts technical requirements)
- Changes to Critical Safety Item (CSI) identification process has resulted in better insight into the number of contracts with this requirement. Where critical characteristics are not clearly identified this designation requires that the engineer work with the QA specialist and the Engineering authority to clearly identify the critical characteristics and processes so that appropriate surveillance can be established.
- Increased demand for accelerated deliveries (a 160 percent increase from 2006 to 2010) requiring the manufacturing specialists to work with the contractors and buying commands to meet critical in-theater requirements has also placed additional demand on the DCMA's transportation specialists to ensure that product actually gets shipped where required on-time.
- There is an increasingly significant workload growing in the area of technical support to the Cost and Pricing Center's mission in the following areas: Should Cost Reviews, Overhead Rate Reviews, Technical Reviews of Independent Research and Development, Technical Support to Negotiations, and Cost Estimating Relationship Reviews. This workload is endorsed by the Department and is expected to save the taxpayers and DoD hundreds of millions of dollars.

I.   Description of Operations Financed (cont.)

Executive Agent for Earned Value

The DCMA's responsibility as the DoD Executive Agent for Earned Value Management (USD (A&T) memo dated December 4, 1995) is two-fold in nature. First as the Executive Agent, the DCMA is responsible for ensuring supplier's EVM systems are in compliance with the EIA 748-A ANSI Standard within DoD. This ensures the data produced by the supplier's EVM system is reliable for Program Manager's decision making. To perform this function multiple EVMS reviews must be performed at each contractor site with requirements for EVM. Secondly routine surveillance is the best way to help ensure the Department gets the performance and dependability it expects from the EVMS and this activity is a significant resource driver for the DCMA.

In 2006, when emphasis was renewed in DoD on Earned Value, the DCMA established the EVMS Center to perform the system certification function and re-build the DCMA's expertise in the field for routine surveillance. The DCMA is able to perform approximately 22 reviews a year. The DCMA plans to increase the EV Center staffing so a realistic number of system reviews can be accomplished each year that will allow each site requiring EV to undergo a certification review approximately once every three years. Since 2008, the DCMA has concentrated on rebuilding its EV expertise in the field both through extensive training and workforce increases.

Manufacturing Surveillance Workforce

Since 2006, the DCMA has seen a significant decline in its Manufacturing Surveillance workforce. During this same time period there has been a steady increase in expedited delivery request in support of increased system usage on aging weapons systems. Current workload projections require rebuilding the Industrial Specialist and Industrial Engineering workforce to approximately the same levels they were in 2006 to meet current and projected requirements.

I.   <u>Description of Operations Financed (cont.)</u>

<u>Other Focus Areas</u>
There is a need to provide technical expertise in support of the Department's focus on: Should Cost Reviews, Overhead Rate Reviews, Technical Reviews of Independent Research & Development, Technical Support to Negotiations, and Cost Estimating Relationship Reviews. In addition to establishing the Cost and Pricing Center, the DCMA plans to devote a substantial amount of its growth to support these efforts. The DCMA's EA workforce performs a number of unique acquisition missions outside of their primary engineering support role. These include:

   • *Transportation* – the DCMA's transportation mission directly supports the warfighter by ensuring that required products get into theater when needed. This includes the critical movement of Foreign Military Sales, as well as US warfighter assets, to theaters of operation worldwide. Transportation issues include export licenses, movement of hazardous cargo and Radio Frequency Identification Device (RFID) compliances to assist/improve in-transit visibility of assets

   • *Safety* – the DCMA's safety role as defined in the FAR requires the DCMA to ensure contractor compliance with contractual safety requirements (FAR 42.302 (a) (39)). Recent events in the ammunition and explosives area have highlighted the importance of performing proper oversight of the safety requirements. Customer mandated Pre-Award Surveys have been increasing along with Post-Award surveys which are required to ensure contractor safety plans are adequate.

   • *Packaging* – The military operating environment drives unique packaging specifications. The DCMA's packaging personnel help ensure supplies needed by warfighters arrive in working condition. Proper packaging and marking of military items reduces the risk that stored supplies will suffer damage as a result of poor preservation and packaging. Improper packaging can result in hidden damage and lead to not having properly functioning equipment and supplies needed by the warfighter.

I.   Description of Operations Financed (cont.)

Combat Support Agency

As a Combat Support Agency, the DCMA's role in contingency operations is to perform Contingency Contract Administration Services (CCAS). The DCMA is currently supporting the United States Central Command (USCENTCOM) Area of Responsibility (AOR) for delegated contract administration of the Army Logistics Civil Augmentation Program (LOGCAP) and Air Force Contract Augmentation Program (AFCAP), and supporting additional Systems and Theater Support Contract delegations from CENTCOM Contracting Command (CCC) to include additional support to Combined Security Transition Command-Afghanistan (CSTC-A). The Agency believes that the DCMA will always have a significant role in support of contingency operations. Recent CCAS workload increases include:
- CSTC-A support and expanded LOGCAP and AFCAP Support
- Expanded Theater-wide Contracts Awarded by CENTCOM Contracting Command

In summary, the DCMA total workload volume has been increasing at a sharp pace since FY 1999, while the workforce had been steady declining during the same period of time. Commencing in FY 2009, the Agency has been experiencing a slight workforce uptick. The DCMA's budget submit continues to supports the Agency's efforts to grow the acquisition workforce as envisioned by the Department for the DCMA to assume a broader acquisition role e.g., price costing, earned value and quality assurance as well as invigorate core competencies with new talent. The table below displays the Agency's planned growth by the functional area of expertise.

Functional Titles	FY 2011	FY 2012	FY 2013
Business Cost Estimating & Financial Mgmt.	147	153	173
Contracting	2,019	2,234	2,551
Industrial/Contract Property Management	255	267	293
Information Technology	136	140	144

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I. <u>Description of Operations Financed (cont.)</u>

Functional Titles	FY 2011	FY 2012	FY 2013
Life Cycle Logistic	114	123	127
Production, Quality, & Manufacturing	3,536	3,707	4,111
Program Management	341	341	356
Purchasing	9	9	9
SPRDE-S&T Manager	5	5	5
SPRDE-Systems Engineering	772	864	934
Test & Evaluation	7	7	7
Other	1	6	10
Total	**7,342**	**7,856**	**8,720**

II. <u>Force Structure Summary:</u>

N/A

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III. <u>Financial Summary</u> ($ in thousands)

| | | | FY 2012 | | | | |
| | | | Congressional Action | | | | |
A. <u>BA Subactivities</u>	FY 2011 Actuals	Budget Request	Amount	Percent	Appropriated	Current Estimate	FY 2013 Estimate
1. Operational Support	**1,160,872**	**1,133,736**	**-2,355**	**-0.2**	**1,131,381**	**1,130,908**	**1,278,740**
Contract Management	1,106,147	1,079,431	-2,355	-0.2	1,077,076	1,075,952	1,223,781
Management/Operational Hqtrs	54,725	54,305	0	0.0	54,305	54,956	54,959
2. Training	**10,238**	**13,630**	**0**	**0.0**	**13,630**	**14,103**	**14,456**
Base Support (local training, conferences, tuition assistance)	6,872	7,727	0	0.0	7,727	7,727	8,320
Professional Development	1,807	2,137	0	0.0	2,137	2,137	2,801
Specialized Skill Training	1,559	3,766	0	0.0	3,766	4,239	3,335
Total	**1,171,110**	**1,147,366**	**-2,355**	**-0.2**	**1,145,011**	**1,145,011**	**1,293,196**

* The FY 2011 Actuals column <u>includes</u> $84,972 thousand of FY 2011 Overseas Contingency Operations (OCO) Appropriations funding (P.L. 112-10).

* The FY 2012 Estimate column **excludes** $87,925 thousand of the FY 2012 OCO Appropriations funding (PL 112-74).

* The FY 2013 Estimate column **excludes** $69,803 thousand requested in the FY 2013 Defense-Wide OCO Budget Request.

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III. <u>Financial Summary</u> ($ in thousands)

B. <u>Reconciliation Summary</u>	Change FY 2012/FY 2012	Change FY 2012/FY 2013
Baseline Funding	1,147,366	1,145,011
Congressional Adjustments (Distributed)		
Congressional Adjustments (Undistributed)	-1,899	
Adjustments to Meet Congressional Intent		
Congressional Adjustments (General Provisions)	-456	
Subtotal Appropriated Amount	1,145,011	
Fact-of-Life Changes (2012 to 2012 Only)		
Subtotal Baseline Funding	1,145,011	
Supplemental	87,925	
Reprogrammings		
Price Changes		6,631
Functional Transfers		
Program Changes		141,554
Current Estimate	1,232,936	1,293,196
Less: Wartime Supplemental	-87,925	
Normalized Current Estimate	1,145,011	

III. <u>Financial Summary</u> ($ in thousands)

C. Reconciliation of Increases and Decreases	Amount	Totals
FY 2012 President's Budget Request (Amended, if applicable)		**1,147,366**
1. Congressional Adjustments		-2,355
a. Distributed Adjustments		
b. Undistributed Adjustments		
1) Unobligated Balances	-1,899	
c. Adjustments to Meet Congressional Intent		
d. General Provisions		
1) Sec 8034 Mitigation of Environment Impacts	-456	
FY 2012 Appropriated Amount		**1,145,011**
2. War-Related and Disaster Supplemental Appropriations		87,925
a. OCO Supplemental Funding		
1) Overseas Contingency Operations (OCO)	87,925	
3. Fact-of-Life Changes		
FY 2012 Baseline Funding		**1,232,936**
4. Reprogrammings (Requiring 1415 Actions)		
Revised FY 2012 Estimate		**1,232,936**
5. Less: Item 2, War-Related and Disaster Supplemental Appropriations and Item 4, Reprogrammings		-87,925
FY 2012 Normalized Current Estimate		**1,145,011**
6. Price Change		6,631
7. Functional Transfers		
8. Program Increases		146,047
a. Annualization of New FY 2012 Program		
b. One-Time FY 2013 Increases		
c. Program Growth in FY 2013		
1) One Additional Paid Day	4,643	
One additional paid day from FY 2012 to FY 2013 (From 260 to 261)		
2) Personnel Compensation:	129,574	
The increase in personnel compensation is commensurate		

III. <u>Financial Summary</u> ($ in thousands)

C. Reconciliation of Increases and Decreases	Amount	Totals

with an increase of 1,190 Full Time Equivalents (FTEs) of which 819 FTEs are converting out of the Section 852 into baseline funding. Agency plans for acquisition workforce growth into areas envisioned by the Department for DCMA to assume a broader acquisition role e.g., price costing, earned value and quality assurance as well as invigorate core competencies with new talent. Using Agency growth, in concert with human capital strategic planning, the Agency is integrating a highly skilled and diverse workforce to not only address an impending retirement, but redirect the right skills to the right locations to meet shifts in workload.
NOTE: Additionally, 1,339 FTEs are budgeted within the Defense Acquisition Workforce Development Fund in FY 2013. (FY 2012 FTE Baseline: 8,835) (FY 2012 Baseline: $978,189K)

3) Equipment Purchases   3,783
   Equipment purchases have increased due to Agency growth, replacement cycle for Firewalls and Intrusion Detection in support of Information Assurance (IA)along with Video Telecommunication (VTC) requirements. Also, furniture costs have risen with need to outfit additional spaces related to the Agency workforce growth. (FY 2012 Base: $24,583K)

4) Purchased Communications   3,085
   Increase in Purchased Communications results from enhancing mobility efforts to better service the workforce (i.e., Quality Assurance and Pricing Representatives) at remote locations to perform the contract administration mission. (FY 2012 Baseline: $7,199K)

III. <u>Financial Summary</u> ($ in thousands)

C. Reconciliation of Increases and Decreases	Amount	Totals
5) IT Contract Support Increase in Other Services results from contractor labor support required to meet IA in support of Cyber Command requirements and maintaining the Help Desk to accommodate Agency growth. (FY 2012 Baseline: $23,923K) (FY 2012 FTE Baseline: 119)	1,776	
6) Equipment Maintenance Increase in equipment maintenance is due to server hardware storage requirements necessary to accommodate new equipment purchases and enhanced software capabilities. (FY 2012 Baseline: $621K)	1,685	
7) Voluntary Separation Incentive Pay (VSIP) Voluntary Separation Incentive Pay is required to balance the workforce skills to that of the workload. The Agency will employ all necessary actions to place displaced employees prior to offering incentives. (FY 2012 Baseline: $0K)	600	
8) GSA, Rents (non GSA) and Utilities Increase in infrastructure cost results from acquiring additional leased space in FY 2013 due to the estimated increase in Acquisition workforce and annual Utility Company unit cost escalations. (FY 2012 Baseline: $25,140K)	393	
9) DISA Telecommunications Services The increase in Communication Services (DISA) Tier 2 is a result of the rate stabilization and utilizing DISA for commercial circuits support. (FY 2012 Baseline: $8,715K) (Baseline $0)	342	
10) Permanent Change of Station (PCS)/Transportation DCMA will continue to require additional PCS funds to hire	159	

III. <u>Financial Summary</u> ($ in thousands)

C. Reconciliation of Increases and Decreases	Amount	Totals
personnel to meet recruitment needs across the Agency. Additionally, the Agency will need to realign personnel to support the ever changing contractor workload. (FY 2012 Baseline: $15,394K)		
11) Disability Compensation	6	
Increase in Disability Compensation reflects a revised estimate. (FY 2012 Baseline: $4,172K) (Baseline $0)		
12) Foreign National Indirect Hire	1	
Increase in Foreign National Indirect Hires is commensurate with the FY 2011 actuals inflated by the pricing factor. (FY 2012 Baseline: $834K)		
9. Program Decreases		-4,493
a. Annualization of FY 2012 Program Decreases		
b. One-Time FY 2012 Increases		
c. Program Decreases in FY 2013		
1) Travel, Supplies and Printing	-2,555	
In support of the SECDEF initiatives, DCMA has implemented cost savings strategies which include leveraging technology to the extent possible, reduced number of conference events and particapation, and a supply spending reduction across the enterprise. Additionally, the Agency has made available on-line access to Agency publications. (FY 2012 Baseline: $29,848K)		
2) Defense Finance and Accounting Services	-768	
Decrease in the Defense Finance and Accounting Services (DFAS) is attributed to the most current workload counts. (FY 2012 Baseline: $5,831K)		
3) Other Services	-761	
Decrease in other services is a result of realigning funding to personel compensation and Voluntary Seperation		

III. <u>Financial Summary</u> ($ in thousands)

C. Reconciliation of Increases and Decreases	Amount	Totals

Incentive Pay (VSIP. (FY 2012 Baseline: $10,892K)
(Baseline $0)

4) Facility Sustainment, Restoration, and Modernization   -277
(FSRM)
   The decrease in Facility Sustainment, Restoration, and
   Modernization (FSRM) funding is due to DCMA requirements
   changing on an annual basis. The DCMA FSRM requirements
   are dependent upon the number of leases expiring and the
   required movement of personnel. (FY 2012 Base: $5,677K)
    (FY 2012 Base: $5,677K)

5) Postal Services   -71
   Decrease in Postal Services results in efficiencies gained
   by leveraging technology, consolidating mailings, and
   using less express mail service. (FY 2012 Baseline: $195K)
    (FY 2012 Baseline: $195K)

6) DISA Information Services   -60
   DISA decrease is a result of the stabilization of the
   rate. (FY 2012 Base: $3,500K)

7) Interest and Dividends   -1
   The decrease in Interest is due to stablization of cost.
   (FY 2012 Baseline: $30K) (Baseline $0)

FY 2013 Budget Request   **1,293,196**

IV. <u>Performance Criteria and Evaluation Summary</u>:

Performance Management is an integral component of the DCMA's strategic planning and management philosophy and facilitates the Agency measurement and assessment tools. The Strategic Plan utilizes a series of performance indicators to demonstrate progress in meeting the Strategic End States. The use of indicators is the foundation of how the Agency assesses organizational performance and is used to clearly define performance expectations for the DCMA processes and supplier performance. The plan promotes performance assessment by tracking accomplishment of strategic initiatives, assessing operational capability and capacity, therefore providing the insight needed to improve organizational health, effectiveness and efficiency.

The Agency's Strategic Plan utilizes a "balanced scorecard" approach to align strategies and actions to support the organization's vision. This approach supports planning and assessment of performance around both the internal processes and external outcomes. For the DCMA's strategic plan the four perspectives were refined using language more specific to the Agency environment and terminology. The DCMA Balanced Scorecard perspectives are Acquisition Enterprise, Policies and Processes, Human Capital, and Stewardship. The plan leverages existing the DCMA's capabilities and articulates the Agency's future vision. The Strategic Plan is driven by a number of key focus areas which are:

- Deliver exceptional support to the acquisition system customers
- Grow and retool the workforce
- Enhance policies and processes
- Improve Agency efficiencies

<u>Acquisition Enterprise Perspective</u>

IV. <u>Performance Criteria and Evaluation Summary</u>:

Strategic End State: - the DCMA's acquisition customers receive excellent CAS and the management information needed to make sound business decisions.

Agency Strategic Priority -Deliver predictive, decision-quality information to buying activities and the Acquisition Enterprise through robust financial, industrial, and supply chain analysis. It's also done by exploiting the DCMA's specialized expertise in earned value management, the defense supplier base, and cost monitoring/containment.

Strategic Initiatives

- **Initiative #1:** Enhance the DCMA's performance as the Department's Executive Agent for Earned Value Management Systems.

- **Initiative #2:** Continue to build the Manufacturing and Supply Chain Management core competency. Refine the process to ensure timely development and collection of measures and metrics that assess and identify supplier and industrial base risks while recommending mitigating actions to alleviate such risks.

- **Initiative #3:** Ensure timely disposition of issues impacting the allowance of contract costs. Notify customers expeditiously of actual and anticipated labor and overhead rate changes.

- **Initiative #4:** Develop a supplier capabilities assessment architecture and operating concept to assemble timely, accurate, and predictive business information while allowing visibility into contractor capabilities across the DoD Acquisition Enterprise.

- **Initiative #5:** Improve customer satisfaction and develop a methodology to more effectively measure customer satisfaction levels.

IV. <u>Performance Criteria and Evaluation Summary</u>:

- **Initiative #6:** Execute our expanded mission for Contract Contingency Administration Services (CCAS) more effectively and efficiently.

Performance Assessment- Progress towards the end state is assessed with performance indicators such as earned value management system compliance and surveillance reporting, supply chain management, customer satisfaction, and on time delivery.

<u>Policy and Processes Perspective</u>

Strategic End State – Effective policies and process standards are in place to support delivery of consistent and cost effective CAS.

Agency Strategic Priority- Establish policy infrastructure, define policy structure, and promulgate policy and process guidance.

Strategic Initiatives
- **Initiative #1**: Define and codify our Agency's policy structure to establish clear ownership, a common look and location, and ensure currency.
- **Initiative #2**: Develop and document policies, processes, competencies, and training needed to drive effectiveness/efficiency in our mission as well as to support business processes.
- **Initiative #3:** Develop a plan to effectively rebuild and execute our quality assurance capabilities through improved policies, processes, and tools.

IV. <u>Performance Criteria and Evaluation Summary</u>:

- **Initiative #4:** Develop a plan to effectively execute our engineering analysis capabilities through improved policy, processes, and tools.
- **Initiative #5:** In conjunction with buying activities and DCAA, develop a concept for the Agency's future role in contract pricing which optimizes the process and eliminates duplicate efforts.
- **Initiative #6:** Reduce the number of overage contracts.
- **Initiative #7:** Establish the Agency Lean Six Sigma (LSS) Program Office to enhance Agency operational performance and ensure a common approach on LSS projects.

Performance Assessment- Progress towards the end state is assessed with performance indicators such as contract closeout timeliness, reducing cancelling funds, forward pricing rates, contract audit follow up reports, Lean Six Sigma implementation, and quality assurance surveillance plans.

<u>Human Capital Perspective</u>

Strategic End State - A diverse, agile, highly performing workforce equipped with the competencies needed to execute current and future missions.

Agency Strategic Priorities
- **Priority #1:** Grow and retool our Agency workforce through a robust intern program and increased emphasis on external recruitment and internal development.

IV. <u>Performance Criteria and Evaluation Summary</u>:

- **Priority #2:** Develop and assess functional skills requirements needed to renew workforce competence in core processes starting with contracting, quality, and engineering.
- **Priority #3:** Enhance leadership skills across the Agency and ensure that the DCMA workforce, at all levels, has access to, and fully understands, available opportunities to develop and improve these skills.

Strategic Initiatives

- **Initiative #1:** Attract, recruit, develop, and retain a high-performing and diverse workforce representative of the public it serves.
- **Initiative #2:** Establish personnel policies that promote inclusiveness and fairness.
- **Initiative #3:** Leverage competency alignment to deliver effective technical skills training, tailor workforce development initiatives, and foster a culture of mentorship across the workforce.
- **Initiative #4:** Document and communicate the end-to-end hiring duties and responsibilities that produce a lean and effective hiring process; will result in improved customer service and reduced vacancy fill times.
- **Initiative #5:** Revitalize the DCMA's leadership development programs into a focused and clearly articulated career guide that identifies, promotes, and encourages appropriate leadership skill development for the entire workforce throughout their careers.
- **Initiative #6:** Establish and implement an Agency approach for recruiting, retaining, managing, and utilizing the Emergency Essential (EE) personnel needed to support our expanded CCAS Mission.

IV. <u>Performance Criteria and Evaluation Summary</u>:

- **Initiative #7:** Review all military billets to validate which positions must be performed by military personnel and determine the appropriate rank, service, and specialty. Ensure the validated positions meet the DCMA mission requirements, military service needs, and provide the service members with training and development opportunities.

- **Initiative #8:** Conduct a realistic assessment of costs to train and develop the workforce to specified competencies; create funding profiles that mirror requirements.

Performance Assessment- Progress towards the end state is assessed with performance indicators such as improving the Defense Acquisition Workforce Improvement Act (DAWIA) certifications, recruitment of Emergency Essential Personnel, improving hiring rates, and increasing Agency interns.

<u>Stewardship Perspective</u>

Strategic End State - An ethical organization with well-defined roles, responsibilities, infrastructure, and management controls fully aligned to effectively and efficiently manage public resources.

Agency Strategic Priority - Ensure the efficient use of Agency resources through disciplined planning and execution of obligations and expenditures.

Strategic Initiatives supporting end state

IV. <u>Performance Criteria and Evaluation Summary</u>:

- **Initiative #1:** Promulgate policy for our organizations and infrastructure to promote standardization, ensure alignment, and enhance mission performance.

- **Initiative #2:** Develop and execute an enterprise workload assessment and integration process that specifically addresses short and long-range resource planning, analysis of resources needed to support cross-divisional workload, manpower modeling, and execution tracking requirements including labor dollars and FTEs.

- **Initiative #3**: Strengthen Agency assessment capability and assure effective management controls are implemented throughout the Agency.

- **Initiative #4:** Continue to improve management controls on Agency financial management systems and processes to improve audit readiness, ensure accountability for all Agency financial resources, and improve access to timely and actionable financial management information.

- **Initiative #5:** Develop and execute a business process reengineering plan and IT Enterprise Architecture.

- **Initiative #6:** Design, develop and implement a streamlined Performance Management System that leverages a more uniform set of performance indicators across the Agency**.**

Performance Assessment- Progress towards the end state will be assessed with performance indicators such as improving cash management, effective budget execution, FTE management, and reimbursable operations.

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V. **Personnel Summary**	FY 2011	FY 2012	FY 2013	Change FY 2011/ FY 2012	Change FY 2012/ FY 2013
Active Military End Strength (E/S) (Total)	395	562	562	167	0
Officer	331	493	493	162	0
Enlisted	64	69	69	5	0
Reserve Drill Strength (E/S) (Total)	41	41	41	0	0
Officer	33	33	33	0	0
Enlisted	8	8	8	0	0
Civilian End Strength (Total)	9,113	10,535	10,824	1,422	289
U.S. Direct Hire	9,029	10,445	10,735	1,416	290
Foreign National Direct Hire	71	77	75	6	-2
Total Direct Hire	9,100	10,522	10,810	1,422	288
Foreign National Indirect Hire	13	13	14	0	1
Active Military Average Strength (A/S) (Total)	395	562	562	167	0
Officer	331	493	493	162	0
Enlisted	64	69	69	5	0
Reserve Drill Strength (A/S) (Total)	41	41	41	0	0
Officer	33	33	33	0	0
Enlisted	8	8	8	0	0
Civilian FTEs (Total)	9,174	9,553	10,742	379	1,189
U.S. Direct Hire	9,090	9,463	10,653	373	1,190
Foreign National Direct Hire	71	77	75	6	-2
Total Direct Hire	9,161	9,540	10,728	379	1,188
Foreign National Indirect Hire	13	13	14	0	1
Memo: Reimbursable Civilians Included	720	718	744	-2	26
Average Annual Civilian Salary ($ in thousands)	116.3	112.6	113.3	-3.7	.7

V. Personnel Summary	FY 2011	FY 2012	FY 2013	Change FY 2011/ FY 2012	Change FY 2012/ FY 2013
Contractor FTEs (Total)	153	153	153	0	0

DAWDF and OCO Personnel Summary	FY 2011	FY 2012	FY 2013	Change FY 2011/ FY 2012	Change FY 2012/ FY 2013
DAWDF End Strength (Total)	1,230	1,240	1,213	10	-27
OCO End Strength (Total)	308	246	250	-62	4
DAWDF and OCO End Strength Total	1,538	1,486	1,463	-52	-23
DAWDF FTEs (Total)	1,241	1,350	1,339	109	-11
DAWDF Sustained FTEs	0	231	819	231	588
OCO FTEs (Total)	308	263	241	-45	-22

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VI.   <u>OP 32 Line Items as Applicable (Dollars in thousands)</u>:

OP 32 Line	FY 2011 Actuals	Change FY 2011/FY 2012 Price	Program	FY 2012 Estimate	Change FY 2012/FY 2013 Price	Program	FY 2013 Estimate
101 Exec, Gen'l & Spec Scheds	962,696	0	9,299	971,995	3,499	134,195	1,109,689
103 Wage Board	171	0	42	213	4	−3	214
104 FN Direct Hire (FNDH)	5,596	29	356	5,981	102	−171	5,912
106 Benefit to Fmr Employees	151	0	−151	0	0	0	0
107 Voluntary Sep Incentives	1,248	0	−1,248	0	0	600	600
111 Disability Compensation	4,172	0	0	4,172	0	6	4,178
121 Perm Change of Station	8,068	0	3,469	11,537	0	86	11,623
199 Total Civ Compensation	**982,102**	**29**	**11,767**	**993,898**	**3,605**	**134,713**	**1,132,216**
308 Travel of Persons	26,948	485	−2,873	24,560	418	−1,807	23,171
399 Total Travel	**26,948**	**485**	**−2,873**	**24,560**	**418**	**−1,807**	**23,171**
647 DISA Info Svcs	3,414	−443	529	3,500	60	−60	3,500
673 Def Fin & Accounting Svc	5,831	−1,032	1,299	6,098	1,010	−766	6,342
677 DISA Telecommunications Services - Other	7,790	−628	1,553	8,715	−302	339	8,752
699 Total DWCF Purchases	**17,035**	**−2,103**	**3,381**	**18,313**	**768**	**−487**	**18,594**
771 Commercial Transport	3,550	63	244	3,857	66	269	4,192
799 Total Transportation	**3,550**	**63**	**244**	**3,857**	**66**	**269**	**4,192**
901 FN Indirect Hires	820	12	2	834	14	1	849
912 GSA Leases (SLUC)	18,924	341	843	20,108	342	41	20,491
913 Purch Util (non fund)	2,280	41	261	2,582	44	335	2,961
914 Purch Com (non fund)	14,657	264	−7,722	7,199	122	3,085	10,406
915 Rents, Leases (non GSA)	1,844	33	573	2,450	42	17	2,509
917 Postal Svc (USPS)	195	4	−3	196	3	−71	128
920 Supplies/Matl (non fund)	12,071	218	−7,265	5,024	85	−620	4,489
921 Print & Reproduction	149	3	112	264	4	−128	140

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OP 32 Line	FY 2011 Actuals	Change FY 2011/FY 2012 Price	Program	FY 2012 Estimate	Change FY 2012/FY 2013 Price	Program	FY 2013 Estimate
922 Eqt Maint Contract	811	15	-205	621	11	1,685	2,317
923 Facilities Maint by Contr	3,742	67	1,868	5,677	97	-277	5,497
925 Eqt Purch (Non-Fund)	25,675	463	-1,555	24,583	418	3,783	28,784
960 Interest and Dividends	0	0	30	30	0	0	30
989 Other Services	22,575	406	-12,089	10,892	185	-761	10,316
990 IT Contract Support Ser	37,732	679	-14,488	23,923	407	1,776	26,106
999 Total Other Purchases	**141,475**	**2,546**	**-39,638**	**104,383**	**1,774**	**8,866**	**115,023**
Total	**1,171,110**	**1,020**	**-27,119**	**1,145,011**	**6,631**	**141,554**	**1,293,196**

* The FY 2011 Actuals column includes $84,972 thousand of FY 2011 Overseas Contingency Operations (OCO) Appropriations funding (P.L. 112-10).
* The FY 2012 Estimate column excludes $87,925 thousand of the FY 2012 OCO Appropriations funding (PL 112-74).
* The FY 2013 Estimate column excludes $69,803 thousand requested in the FY 2013 Defense-Wide OCO Budget Request.