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DEFENSE SYSTEMS MANAGEMENT SCHOOL FORT BELVOIR VA  
THE PROJECT MANAGER AND DEFENSE CONTRACTS ADMINISTRATIVE SERVIC--ETC(U)  
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# DEFENSE SYSTEMS MANAGEMENT SCHOOL



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## PROGRAM MANAGEMENT COURSE INDIVIDUAL STUDY PROGRAM

THE PROJECT MANAGER AND DEFENSE  
CONTRACT ADMINISTRATIVE SERVICES

STUDY PROJECT REPORT  
PMC 76-1

J.E. Hildebrandt  
Major US Army

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DEFENSE SYSTEMS MANAGEMENT SCHOOL

STUDY TITLE:

THE PROJECT MANAGER AND  
DEFENSE CONTRACTS ADMINISTRATIVE SERVICES

STUDY PROJECT GOALS:

To provide Project Managers, and Staffs, information about DCAS; to try and insure that this field organization becomes a full PM team member, early on in the acquisition process.

STUDY REPORT ABSTRACT:

The study was tailored to provide a brief history followed by an identification of the organizational elements, concentrating specifically upon those people who are the 'doers' within DCAS. This was followed by a general discussion of DCAS 'can do' and 'can't do' with conclusions and recommendations. Material gained through discussion with DCAS functional directors, as well as from personal experiences gained by the author through assignment at a DCAS region.

The study concludes that a great deal of institutional memory exists within DCAS which should be utilized. Further, eleven years of experience dealing with all services and varied industry on a multitude of contracts, big and small, must be recognized. DCAS itself is reorganizing to further its' mission of field contract management.

The PM can no longer afford (in terms of manhours and dollars) to 'go it alone' and must utilize the 18,000 people organization if he is to effectively field a system promptly and within cost.

KEY WORDS

SERVICES EVALUATION DEFENSE SUPPLY AGENCY PROJECT MANAGEMENT  
DCAS ORGANIZATION ANALYSIS

Key Words: Administrative Support  
Management Improvement  
CONTRACT ADMINISTRATION

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## EXECUTIVE SUMMARY

"I understand we are having problems with our contractor again. I guess we should send our people out to see what's going on."

If you have been involved, at all, in the acquisition process, the above comment is typical of the Project Manager's (PM) response to field problems. But, wait a moment, there is a better way to get information and it is no further away than your phone. Sound like a cure-all? Well, it's not. The phone call, however, will make it easier for you as a PM to zero in on the problem.

This paper is designed to acquaint the Project Manager with the Defense Contract Administrative Services Organization (DCAS); the organizational element on the other end of the phone who is there to help you, and the organization who will be involved with your program, like it or not.

DCAS, 18,000 people strong, should be an active, continuous member of your Project Management Team. If not, you as PM are not taking advantage of a major Defense Organization tailored to meet your needs. Further, not using DCAS is costing you time and money; precious commodities these days.

We will look at the organization, where it is now and where it is going. Many of the observations result from discussion with the functional elements of DCAS, Cameron Station, Washington, D.C. Comments are not policy and should not be construed as such. The functional elements at DCAS Headquarters are vitally concerned with the success of service programs.

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SECTION I  
INTRODUCTION

PURPOSE

Having 'worked both sides of the street' I felt this paper necessary to insure that Project Managers (PM) and those working in Project Manager Offices (PMO) have an understanding of the 'can do' and 'cannot do' of Defense Contract Administrative Services (DCAS). This then is the purpose; to provide you, the service manager, information concerning DCAS.

SCOPE

An overview of the DCAS organization is presented. This overview will address concepts for, organization of, and current operating philosophies as well as plans for the future.

LIMITATIONS

This study does not address service plant offices (AFPROS, NAVPROS), although you as PM should be aware that certain large corporate facilities have been assigned for contract administration to particular services. An outline of service plant cognizant offices is provided at Appendix A. What is important is that these plant offices are to provide you the same administrative functions as DCAS.

Further, we will not discuss the Defense Contract Audit

Agency (DCAA). However, you should remember that DCAA will also have a hand in your contract efforts, especially on major contracts, in that they will resolve such things as overhead rates, forward bidding rates, final booking rates, etc...There is a working relationship between DCAS and DCAA, one which you might want to stimulate for additional accounting information.

SECTION II  
DCAS STRUCTURE

BACKGROUND

In 1965, DCAS was formed for the purpose of providing uniform field contract services to the military services, the Defense Supply Agency, NASA and other government agencies. DCAS is designed to provide a single face to industry--that is--a single defense activity dealing in the administration of contracts regardless of which military service issues the contract. (1)

Eleven years have passed since the formation of DCAS. The organization has matured into an organization of highly trained and experienced people who are able to accurately assess the capability of industry. There is more here than just a 'plant rep', as we shall see.

ORGANIZATION

Defense Contract Administration is organized as a part of Defense Supply Agency with headquarters at Cameron Station, Washington, D.C. (Figure 1). The organization is further broken into nine regions which cover the United States. These nine regions are divided into districts and offices (Figure 2). As summarized by Figure 2, there are nine regions, 34 districts, 56 offices, 1089 residences which currently are administering approximately 265,000

HEADQUARTERS DEFENSE SUPPLY AGENCY ORGANIZATION

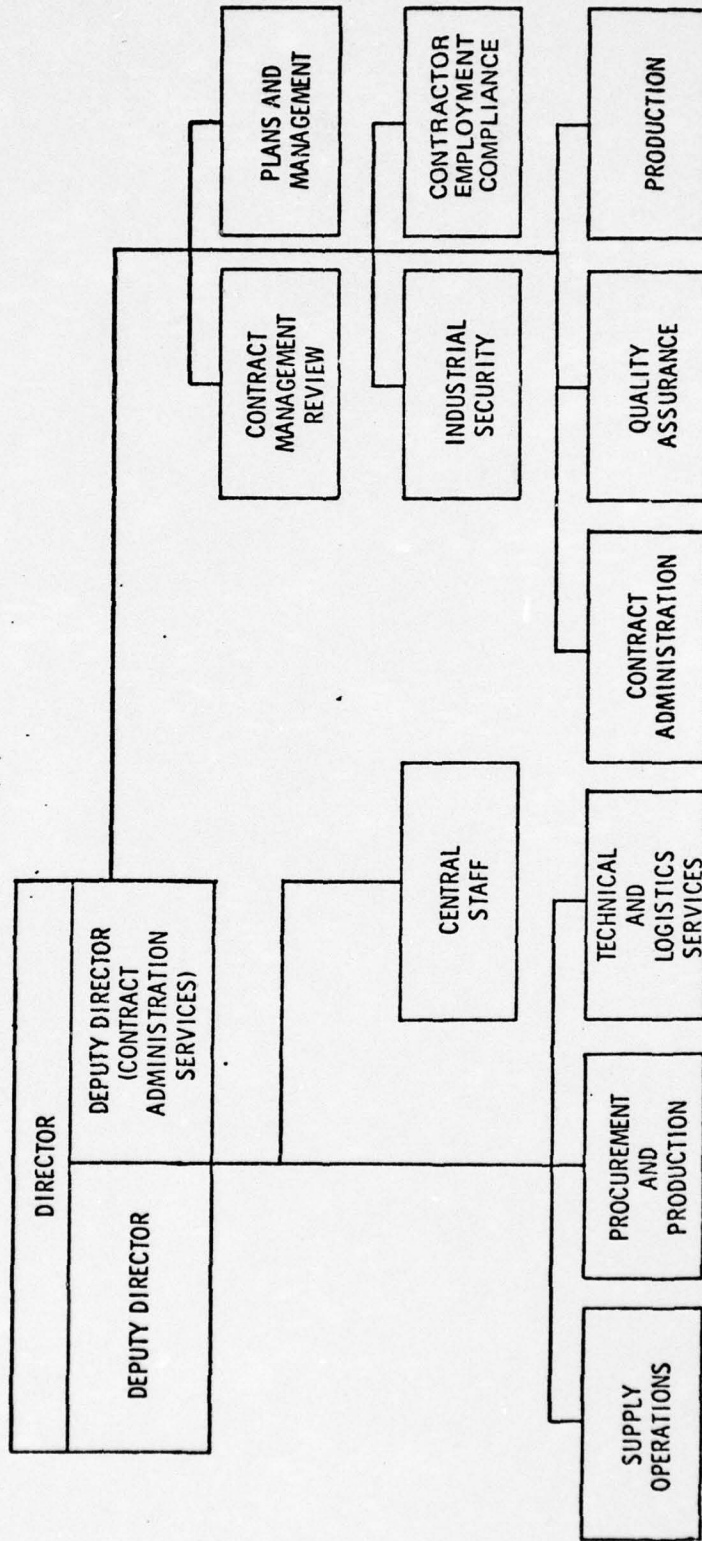


FIGURE 1

# DCASR BOUNDARIES AND NUMBER OF COMPONENTS

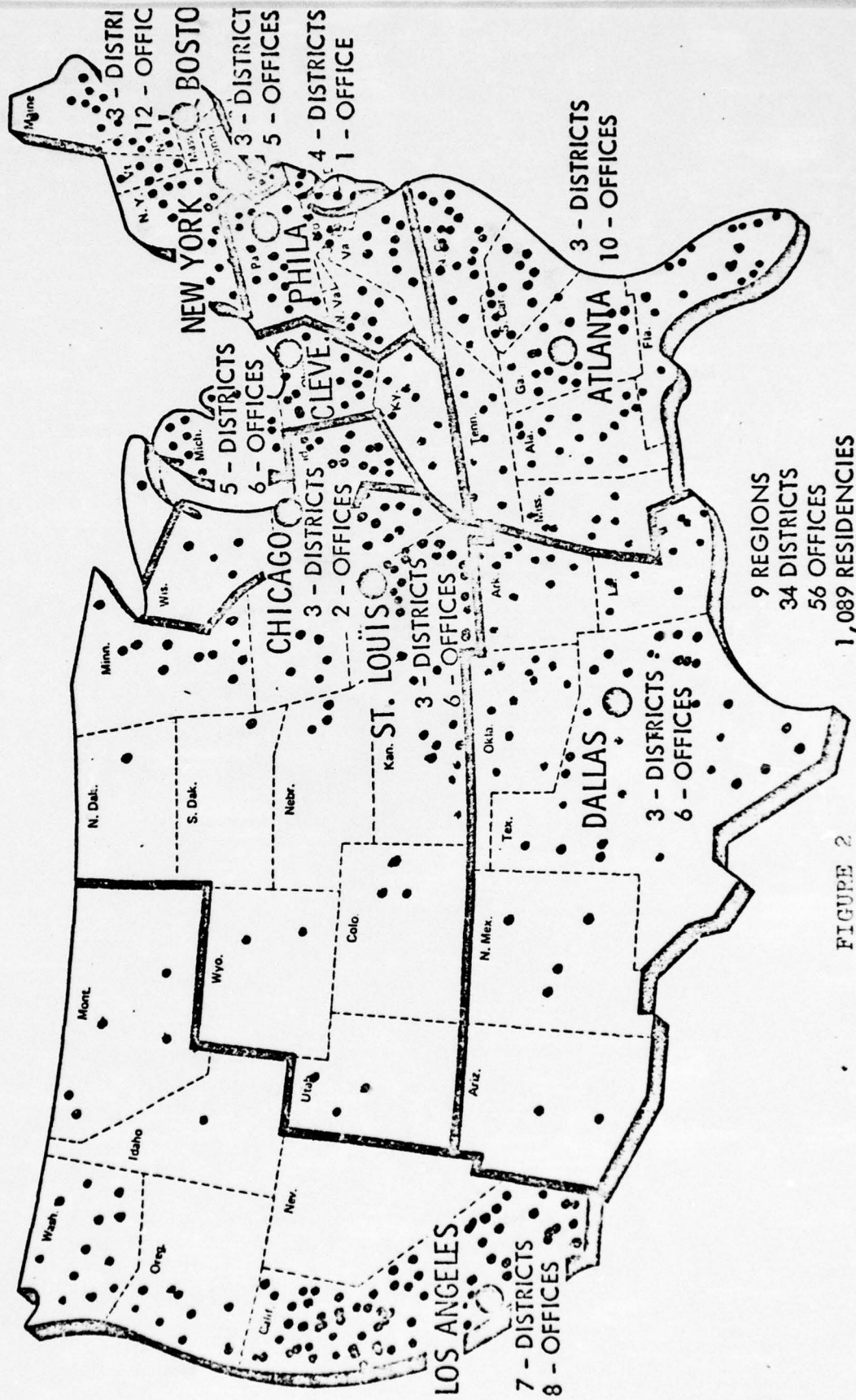


FIGURE 2

contracts yearly at approximately 20,000 plants. Now before you claim impossibility and/or diminishing value due to the magnitude of effort, let me say that more than 90% of these contracts go through the system with little if any extraordinary effort.

Typically, a region is organized as shown in Figure 3. You will note again that we have more depth than a 'Plant Rep'. In fact, the Plant Rep or Quality Assurance Representative (QAR) is only a part (a very important part, however) of an organizational whole.

Within the district or office, you have the administrative contracting officer (ACO). Here is the key, the teamleader, who must provide the 'one face' between industry and government. DCAS, in fact, designates him as the 'team leader'---the team in the field to assist you, the PM. We'll get back to him later.

The important point in all of this organization is the fact that it is designed from the top down to provide you the following support: (2)

- A. Contract Administration
- B. Quality Assurance
- C. Production Surveillance
- D. Systems and Financial Management
- E. Industrial Security

DEFENSE CONTRACT ADMINISTRATION SERVICES REGION

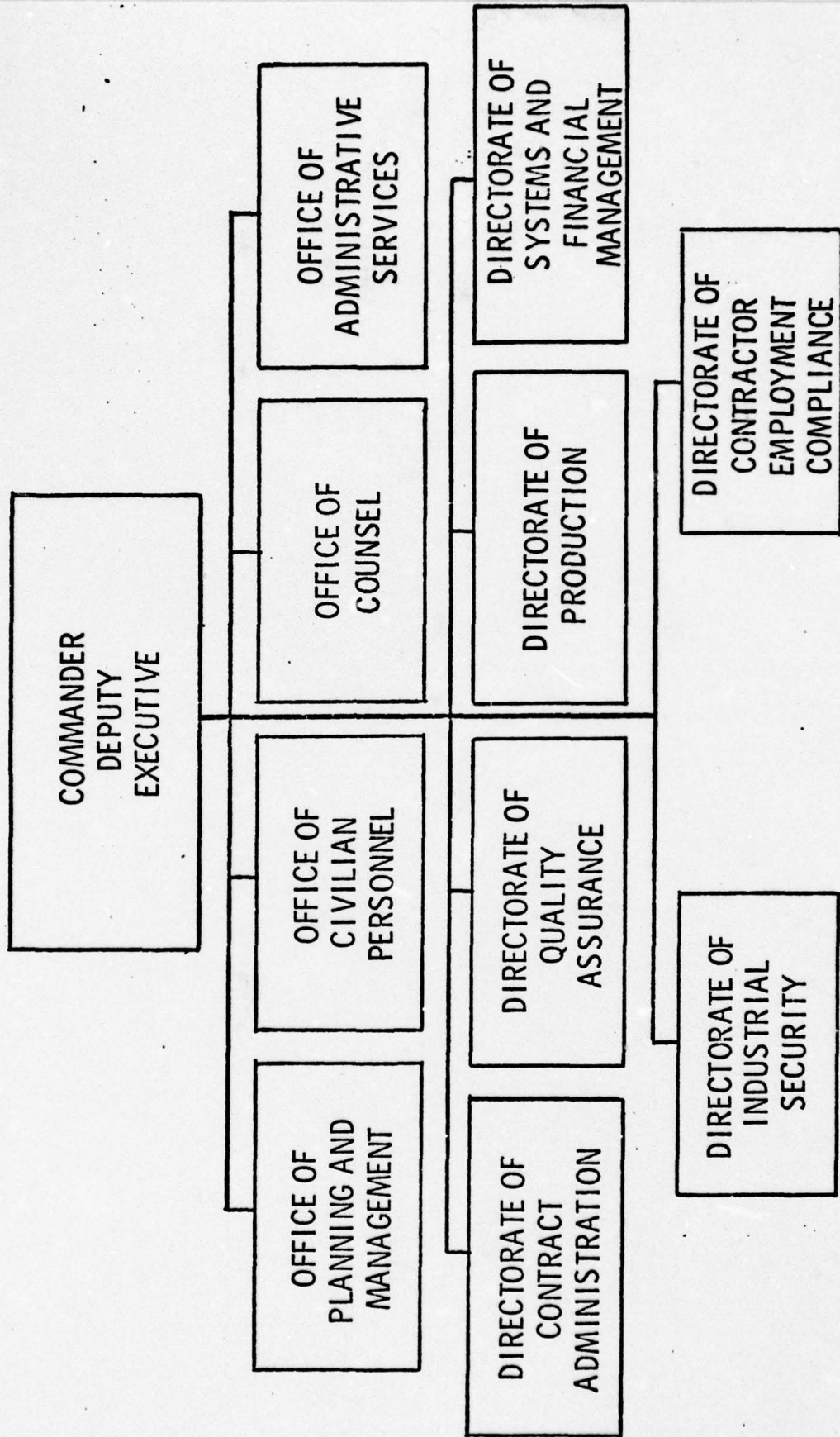


FIGURE 3

- F. Contractor Employment Compliance
- G. Engineering Support
- H. Industrial Labor Relations
- I. Transportation
- J. Property Administration
- K. Safety
- L. Small Business

#### MISSION ASSIGNMENTS

The Armed Services Procurement Regulation (ASPR) provides the mission assignment responsibilities for DCAS. These are provided in detail, in Appendix B (3). I think it important to highlight a few areas which I feel will prove useful to the PM.

- A. The Administrative Contracting Officer (ACO) is your point of contact. In many ways he is the 'institutional memory' in terms of contractor performance. He is tasked to reach out to the functional elements, part of his team, to insure as complete an information package for you as he can put together. He may, among other things:

1. Consent to the placement of subcontracts by your prime. This is vital in that the prime ACO may also

request CAS inputs to the prime ACO in sub-contracting areas where problems exist. It is the primes responsibility to drive his subs but it certainly doesn't hurt to be up to speed in how well the prime is doing in his sub-contract management effort. (No surprises from second or third tier)

2. Analysis of contractor financial capability and price and cost proposals.

If you are evaluating an engineering change proposal (ECP) or modification to the contract or even a response to the RFP, why not let the guys closest to the action have a chance to tell you how they see it--

3. Contractor performance system reviews: This sounds like something we've been involved with here at DSMS and yes, DCAS does this kind of review. In fact, a systems review team can be organized using human assets from a region to provide you an in-depth review of the contractors overall ability.

4. Assures contractor compliance with cost accounting standards. In addition, the ACO can see that cost/schedule control systems surveillance is performed and that timely, and reliable, cost-schedule technical status information is provided.

B. Although the ACO heads up the DCAS team, it's important to also look at what other members of his team can do for you. The Quality Assurance folks, for example, can provide:

1. Assurance that the product delivered to you is as specified in the contract.
2. The Needed informal day in-day out status of how well the contractor is doing. Since quality assurance people are 'close to the scene' they have the best feel as to your contractors progress. Recognize the danger here that this is 'soft' information; but important.
3. Review of contractor quality procedures. Provides 'hands on' inspection and test and.....blows the whistle when things start going wrong to

include demands for contractor corrective action. If things really go bad, DCAS-QA may initiate a 'method D' which in essence means pulling-out DCAS-QA personnel from the plant. If there is no inspection, no signing of DD250s, then the contractor doesn't get paid. This is certainly a powerful weapon to foster contractor corrective action, a weapon you should be aware of.

4. Quality engineering...DCAS has initiated a quality development program. This includes on-the-job training as well as resident instruction to insure top rated specialists and engineers in the quality field. Among the courses offered are:

- a. Quality assurance of technical data
- b. Various calibration equipment courses
- c. Various testing subjects (mechanical, environmental, etc)
- d. Various inspection courses (welding, soldering, automatic inspection, electrical inspection, engines and

turbines inspection)

The reason I cite the above is to insure that you, the PM, understand that you will have trained DCAS personnel as part of your team. You must however, ask for these skills and any others, early-on in your program, so that formal training can be undertaken where needed. DCAS headquarters is vitally concerned about the ability, background, and potential of their people. (5)

C. Another team member is the production people. They are also members of the ACO team providing you, the PM, the following:

1. Pre-award surveys. The project managers primary concern is 'the ability of the offeror to perform in accordance with the proposed contract requirements.' DCAS resources should be devoted to answering that basic question in addition to looking into other specific areas when requested. (4) So, DCAS then, can be your 'hand holder' even prior to entering into a contract. They will let you know how your prospective contractor will do, based upon the hard data of previous

performances. (They are, after all, the real DOD institutional memory, the guys on the scene, day in and day out).

2. Engineering support. That's right, engineering support. As with quality, production also has an element. This element is the office of primary interest for the engineering functions that relate to cost, productability, and scheduling. These people will be looking at such things as the contractor logistic support program. That is, does the contractors logistic support activity consider such parameters as systems effectiveness, reliability and maintainability; and provide sufficient support, test equipment, spare parts and maintenance capability within the environment in which the weapon system must operate? Sounds like something a PM would like to know about.
3. Production Surveillance.....to insure timely delivery of products to the government. This is done through

repeated visits on-site, usually by an industrial specialists, who will report production problems, both formally (via a DD375) and informally (via the ACO)

As stated earlier, I only wish to touch on those areas which I feel give you, the PM, an understanding of the type people and functions within the DCAS structure available to help you. In addition to the three functional areas touched on, DCAS also has the systems and financial management functions which pay the contractor invoices and provides operational accounting records; the industrial security functions (administers the DOD industrial personnel security clearance program, the industrial facilities protection program, among others); and the DOD affirmative action program to eliminate discrimination in all phases of employment.

These then are some of the mission assignments of DCAS. This is the team nationally, which is on the scene to help you. This is part of your team.

### SECTION III

#### WHAT A PM SHOULD EXPECT FROM DCAS

##### INTRODUCTION

You have seen the organization and I have touched on some of the mission responsibilities for DCAS. You have also had pointed out to you some of the people and their mission responsibilities which will assist you. Now, let's look at the things which DCAS can do for you and things which they cannot do.

##### THINGS WHICH CAN BE DONE

To begin with, DCAS will provide overt support from their headquarters, Cameron Station, on down. As a PM or member of the PMO, I suggest you arrange to first stop at their headquarters and outline your program. An explanation of where you are going and problems you expect to encounter will result in letters to the regions involved endorsing your efforts as well as establishment of lines of communication. This line of communication from headquarters to field elements will provide a necessary start for the support you will need. So, it starts with you. DCAS is your manager in the field but you have to turn them on. We've discussed the responsibilities of this organization, let's explore from an organizational aspect the 'can do'.....(7)

- A. Can provide technical surveillance and special reporting, starting with research and

development, through inspection, first article production, to full production, and deployment, as well as any follow-on contractor efforts (repair parts, warranty servicing, overhaul).

- B. Conducts post award conferences.
  - C. Performs surveillance of design, development and production engineering efforts.
  - D. Reviews engineering studies, designs and proposals.
  - E. Evaluates adequacy of contractor engineering data control systems.
  - F. Negotiates overhead rates.
  - G. Advises and assists contractors regarding their priorities and allocation responsibilities.
  - H. Monitors contractor industrial relations matters.
  - I. Coordinates removal of material from strike-bound plants.
  - J. Monitors contractor financial condition.
- And in general, is the eyes and ears of the PM 'on the ground' in those areas of quality, production and delivery.

Additionally, DCAS can provide assistance to contractors.

Assistance may include: (7)

- . Identification of production bottle necks
- . Expediting critical material requests
- . Management of government owned property
- . Review of financial programs
- . Interpretation of contract specifications
- . Review of quality assurance programs
- . Facility and personnel clearance for classified contracts
- . Development of equal employment affirmative action plans
- . Payment of invoices .

THINGS WHICH CANNOT BE DONE

First of all, DCAS cannot read your mind. It is unfair to expect them to become members of your PM team, uninvited. Deal with your field unit as if you wanted them to be part of your organization. Horizontal as well as vertical communications is required.

Second, bring DCAS in early so they can mature with your program as your own people will. It is hard to play a catch-up game and be effective.

Third, sit together to determine what is important and what is not. The easiest thing to do is to cover it all from A to Z. This will only gum-the-works and prevent DCAS

from effectively managing by exception. DCAS cannot 'cover the world' any more than you can. Don't force them to report for the sake of reporting.

DCAS will not engineer your program and should not be expected to do so. You are the expert. They will assist and monitor your contractor efforts. Remember, part of your contract price is the end product, delivered on time and at the price you expected to pay.

Lastly, DCAS will not bail you out. Many times we seem to discover this organization only when things go bad. It's a little late then to thrash about wondering why nobody seemed to care or assist. Further, as much as it hurts, DCAS will tell you the truth about the status of your effort. That is their job. It may (and usually does) differ dramatically from yours and certainly from your contractor. When programs get into trouble it is natural for everyone involved (PMO and contractor) to continue to hope for the best. However, there are times when all the best intentions in the world will not help, and, in fact, can be very costly.

SECTION IV  
TODAYS WORLD

INTRODUCTION

I have shown how DCAS is organized and some of its' central figures. The question which might be raised is: "This is all good and well, but has DCAS any systems experiance?" A good question and one which Figures 4,5, and 6 should answer. These are only representative programs for the three services, but should give you some idea concerning the level of effort and involvement. The point here is that no matter where your major contracting effort is (north, south, east, or west) there is a DCAS organization which probably has more experiance with that contractor than you, the PM.

THE EMPHASIS IS THERE

Presently, in line with the Assistant Secretary of Defense's identification of major programs, DCAS will send to each PM the point of contact, by name and telephone number, for their particular effort. A letter from DCAS Headquarters (Appendix C) has gone to the regions. Here again the stress is upon a single point of contact as well as concern for the ultimate success of major programs.

Additionally, DSA is studying the DCAS organization as it exists today. Organization changes are anticipated

AIR FORCE CONTRACTS ADMINISTERED BY DCAS

<u>PROGRAM</u>	<u>DESCRIPTION</u>	<u>CONTRACTOR</u>	<u>DOLLAR VALUE</u>
PSRE	Propulsion System for Minuteman Missile	Bell Aerospace, Niagara Falls, N. Y.	152.0 Mil
A-37/T-37	Attack Jet Aircraft	Cessna, Wichita, Kan.	39.0 Mil
AIRBORNE COMMAND POST	Systems Outfitting of 747 Aircraft (E-1)	E-Systems, Inc., Greenville, Texas	33.0 Mil
LORAN D	Airborne Long Range Radio Navigation for F-4 Aircraft	Lear Siegler, Grand Rapids, Mich.	30.6 Mil
VIP/SAM FLEET	Maintenance of Presidential Aircraft Fleet	E-Systems, Inc. Greenville, Texas	19.5 Mil

**ARMY CONTRACTS ADMINISTERED BY DCAS**

<b>PROGRAM</b>	<b>DESCRIPTION</b>	<b>CONTRACTOR</b>	<b>DOLLAR VALUE</b>
<b>SAFEGUARD</b>	Air Defense System	Western Electric Greensboro, N. C.	3.3 Bil
<b>LANCE MISSILE SYSTEM</b>	Surface to Surface Ballistic Missile	LTV Aerospace, Sterling Heights, Mich.	558 Mil
<b>DRAGON WEAPONS SYSTEM</b>	Medium Tank Assault Weapon	McDonnell Astro, Titusville, Fla.	97 Mil
<b>UTTAS and AAH</b>	Engine for Utility Tactical Transport Aircraft System and Airborne Attack Helicopter	General Electric, West Lynn, Mass.	98 Mil
<b>TACFIRE</b>	Automated System for Directing Artillery Fire	Litton Data Systems, Van Nuys, Calif.	58 Mil
<b>SAM-D</b>	Surface to Air Missile	Raytheon Corp., Andover, Mass.	547.8 Mil

FIGURE 5

NAVY CONTRACTS ADMINISTERED BY DCAS

PROGRAM	DESCRIPTION	CONTRACTOR	DOLLAR VALUE
AEGIS	Advance Surface Missile System	RCA, Camden, N. J.	324 Mil
PROJECT VAST	Versatile Avoinics Systems Test	PRD, Syosset, N. Y.	446 Mil
MARK 48 TORPEDO	Torpedo	Gould, Cleveland, Ohio	440 Mil
PROJECT CAESAR	Fixed Passive Under-water Surveillance System	Western Electric Burlington, N. C.	469 Mil
SEA SPARROW	Surface to Air Missile	Raytheon, Andover, Mass.	217 Mil
TF-34 ENGINE	A-10 and S-3A Navy Aircraft	General Electric Lynn, Mass.	179 Mil

FIGURE 6

which should reduce internal administrative functions at the district level, to a minimum, thus freeing-up more people to work the acquisition problems.

Finally, DCAS is going to try to tailor officer assignments in such a way as to insure 'uniform to uniform' contacts between DCAS and the PMO. Backgrounds of the officer will be reviewed and selections for field assignments made considering such things as educational background, experience and branch of service. This should provide compatibility; 'talking the same language' interface, which will assist the PMO.

## SECTION V

### CONCLUSIONS AND RECOMMENDATIONS

#### CONCLUSIONS

The past years for DCAS have been years of growth in both experiance<sup>e</sup> and responsibility. DCAS now represents a mature organization which can provide the PM his on-site needs. The key to success in this relationship between DCAS and the PM is an understanding of the contracting cycle.(Figure 7) Both the procuring activity and DCAS play continuing, complimentary roles. Of particular importance to the PM is Step II. The pre-award survey and proposal evaluation in Step II will help insure program success..... or failure. This is the point in the acquisition cycle when the PM must use every skill and bit of information available to him. The PM must be a full partner, especially during the pre-award survey. Don't draw seperate conclusions. Do reach an accord with DCAS (who conducts the pre-award) concerning the information gained from the survey.

Understand that the DCAS people can only respond within the constraints placed upon them by the contract and the letter of delegation. Take time to insure that you cover all of those things you want done, recognizing the guidance contained in ASPR 1-406. If you are looking for some extraordinary help, then use the memo of agreement

CONTRACT ADMINISTRATION SERVICES

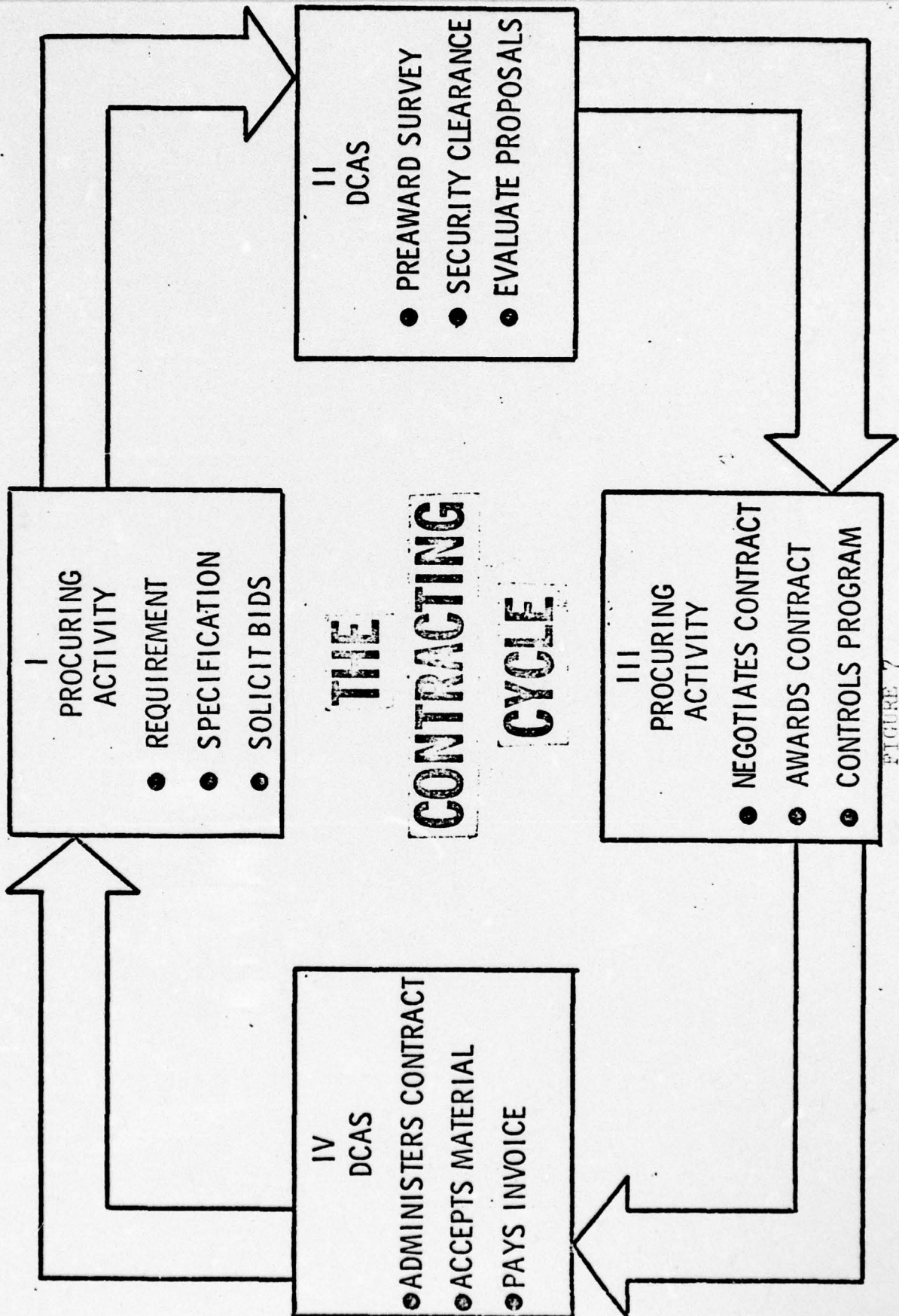


FIGURE 7

route. The point here is to insure that all parties involved in your program understand what is expected of them, early on.

I touched on sub-contracting earlier in this paper. Refer back to Figure 2. Although a 'sales chart', it should tell you one thing. There is probably a DCAS organization close by, if not on site, for not only your prime contractor effort but also your major sub-contractor effort. Like organizational elements tend to respond more readily to each other. This is true within DCAS. If you tell your prime ACO that a major subcontract effort is critical to your effort, then an avenue is available to you in assessing how well your prime is doing. Again, another source of information which will help prevent surprises at the sub-contracting level.

What we should be concluding from all of this is continuing communications. The arrows in Figure 7 depict the continuing communications flow which must exist between the PMO and DCAS. There are a lot of people on the scene, a lot of eyes and ears from many functional areas. By stimulating their interests in your program, by encouraging the flow of information (formal but more importantly informal) the PMO cannot help but gain better control over his acquisition environment.

## RECOMMENDATIONS

Once beyond the R&D stage of the acquisition cycle, where you are going to be dealing with hardware, I recommend the following steps:

- A. Go to DCAS Headquarters, Cameron Station with your program. Tell them what contractors are supporting you and what help you need. Enlist their support. Ask for names and telephone numbers of field elements who will be involved with your programs. Find out what you must do (letters of understanding, letters of delegation, reports....) Since the ACO is the DCAS team leader, call the executive director contract administration, and let him set-up a meeting of other functional elements. That telephone number is: Autovon 28-47704; commercial A/C 202-274-7704.
- B. Meet with the field elements identified by DCAS Headquarters. Bring along some Key members of your organization when you want to interface with DCAS personnel. Explain your program, your objectives, your fears. Get DCAS on board early and then keep them

on board. Too often understandings are reached between the PMO and the contractor without DCAS being made aware of them. Your people in the field can only act upon known rules. Don't keep them in the dark. Let your DCAS organization truly represent you. Use them as a focal point for your relationship with your contractors. Incidentally, if your program requires some special talent or abilities, on the part of DCAS personnel, identify them early to insure that any training required is done before that skill is needed.

- C. Recognize that all organizations contain both strong and weak members. If you doubt the ability of someone in the field, working on your program, tell the DCAS commander. A solution will usually be found. Remember, within DCAS, the concept is to place a uniform on the scene for major programs. Tolerating a situation by going around it helps no one, especially you, the PM.

Remember that the goal of DCAS is to "assure delivery of your product in accordance with the terms of the contract and to provide a service to customers and the contractors who perform the work." (1) You the PM are

still at the center. Ultimate success of your program will depend largely on how well you stimulate best performance from all members of your team, including DCAS. They will provide pre and post award contract management for you. How well and how much depends on you.

. APPENDIX

# CONTRACT ADMINISTRATION SERVICES PLANT COGNIZANCE PROGRAM

(DOD INSTRUCTION 4105.59)

DOD COMPONENTS	ASSIGNED PLANTS
DSA (DCAS)	ALL DEFENSE CONTRACTORS (APPROXIMATELY 20,000)
<u>PLANT EXCEPTIONS ASSIGNED TO MILITARY DEPARTMENTS BY DOD</u>	
ARMY	4 INDUSTRIAL PLANTS 24 GOCO PLANTS (AMMO & CHEMICAL)
NAVY	16 INDUSTRIAL PLANTS 116 SHIPBUILDING & REPAIR FACILITIES 424 EDUCATIONAL FACILITIES*
AIR FORCE	22 INDUSTRIAL PLANTS 1 MOD PROGRAMMED DEPOT MAINTENANCE 4 TEST FACILITIES

\*OFFICE OF NAVAL RESEARCH IS THE DOD COMPONENT FOR ADMINISTERING CONTRACTS WITH EDUCATIONAL INSTITUTIONS.

## GENERAL PROVISIONS

~~ters will not reference directives of the procuring department without the prior concurrence of the department performing contract administration services.~~

(b) Each contract assigned by a purchasing office to a contract administration component for administration shall contain or be accompanied by all procuring agency instructions or directives which are incorporated in such contract by reference. This will not be necessary if a copy has been previously furnished for application to that contractor.

(c) This paragraph constitutes the authority of the contract administration office designated in accordance with Section XX, Part 7, of this Regulation, to perform contract administration functions to the extent applicable, in accordance with this Regulation, the provisions of contracts assigned for administration, and the directives of the department performing the services. Functions listed below are the responsibility of, and, except as provided in 20-703.3, shall be performed by, contract administration offices:

- (i) review contractor's compensation structure;
- (ii) review the contractor's insurance plans;
- (iii) review and approve or disapprove contractor's requests for payments under the progress payments clause;
- (iv) determine the allowability of costs suspended or disapproved on a DCAA Form 1 when a written appeal has been received from the contractor, direct the suspension or disapproval of any costs when there is reason to believe that they should be suspended or disapproved, and approve final vouchers;
- (v) negotiate billing and final overhead rates when the contract contains the clause in 3-704, except when negotiation responsibility is placed elsewhere in accordance with Departmental procedures;
- (vi) negotiate understandings consistent with agreements negotiated under 15-107 applicable to treatment of costs under contracts currently assigned for administration;
- (vii) negotiate prices and execute supplemental agreements for spare parts and other items selected through provisioning procedures;
- (viii) review and evaluate contractor's proposals in accordance with 3-801.5(b) and furnish comments and recommendations to the procuring contracting officer when negotiation will be accomplished by the procuring contracting officer;
- (ix) when authorized by the purchasing office, negotiate or negotiate and execute supplemental agreements incorporating contractor proposals resulting from change orders issued under the Changes clause (Prior to completion of negotiations and issuance of the supplemental agreement, any delivery schedule change shall be coordinated with the purchasing office.);
- (x) manage special bank accounts;
- (xi) assure timely notification by the contractor of any anticipated overrun or underrun of the estimated cost under cost-type contracts;
- (xii) review, approve or disapprove and maintain surveillance of the contractor's procurement system;
- (xiii) consent to the placement of subcontracts;

**GENERAL PROVISIONS**

- (xiv) monitor contractor's financial condition and advise the procuring contracting officer when contract performance is jeopardized thereby;
- (xv) when authorized by the purchasing office, negotiate prices and execute priced exhibits for unpriced orders issued by the procuring contracting officer under basic ordering agreements;
- (xvi) issue tax exemption certificates;
- (xvii) conduct post-award orientation conferences;
- (xviii) issue work requests under maintenance, overhaul and modification contracts;
- (xix) negotiate and execute contractual documents for settlement of partial and complete contract terminations for convenience, except as otherwise prescribed by Section VIII;
- (xx) perform necessary screening, redistribution and disposal of contractor inventory;
- (xxi) perform property administration;
- (xxii) prepare findings of fact and issue decisions under the Disputes clause on matters on which the contract administration office has the authority to take definitive action;
- (xxiii) assure processing and execution of duty-free entry certificates;
- (xxiv) in facilities contracts—
  - (A) evaluate contractor's requests for facilities and changes to existing facilities, and provide the procuring contracting officer with appropriate recommendations thereon;
  - (B) assure required screening of facility items before acquisition by contractor;
  - (C) approve use of facilities on a noninterference basis in accordance with paragraph (b) of the clause in 7-702.12;
  - (D) assure payment of any rental due; and
  - (E) assure reporting of items no longer needed for defense production;
- (xxv) perform production support, surveillance, and status reporting, including timely reporting of potential and actual slippages in contract schedules;
- (xxvi) perform pre-award surveys;
- (xxvii) perform industrial readiness and mobilization production planning field surveys and schedule negotiations;
- (xxviii) monitor contractor industrial labor relations matters under the contract; apprise the procuring contracting officer and cognizant departmental labor relations advisor of actual or potential labor disputes; and coordinate the removal of urgently required material from the strikebound contractor's plants upon instructions from, and authorizations of, the procuring contracting officer and the cognizant departmental labor relations advisor;
- (xxix) perform traffic management services including issuance and control of Government bills of lading and other transportation documentation;
- (xxx) review the adequacy of the contractor's traffic operations;

## GENERAL PROVISIONS

- (xxxi) review and evaluate preservation, packaging, and packing;
- (xxxii) provide surveillance of contractor design, development, and production engineering efforts;
- (xxxiii) review engineering studies, design, and proposals, and make recommendations to the system/project manager or purchasing office;
- (xxxiv) evaluate and monitor contractor engineering efforts and expenditures in accordance with contract terms;
- (xxxv) conduct surveillance of contractor engineering practices with regard to subcontractors;
- (xxxvi) review, on a continuing basis, contractor test plans and directives for compliance with contract terms; compare milestone; progress, and cost against contract requirements;
- (xxxvii) assist in classification of waivers and deviations;
- (xxxviii) evaluate the adequacy of contractor engineering data control systems, including assurance that systems provide for timely incorporation of changes in data being acquired;
- (xxxix) monitor contractor value engineering programs;
  - (xl) review cost reduction proposals, and submit comments regarding effect of proposed changes on the engineering requirements of the contract;
  - (xli) evaluate and perform surveillance of contractor configuration management systems and procedures;
  - (xlii) perform surveillance of contractor engineering change systems; review Class I engineering change proposals, and comment on engineering feasibility and need; assist in price analysis of engineering changes; review Class II engineering changes to insure proper classification;
  - (xliii) evaluate the contractor management, planning, scheduling, and allocation of engineering resources;
  - (xliv) evaluate and monitor contractor reliability and maintainability programs;
  - (xlv) review and evaluate for technical adequacy the logistic support, maintenance, and modification programs accomplished by the contractor;
  - (xlvi) make appropriate comments to purchasing offices on any inadequacies noted in specifications;
  - (xlvii) perform procurement quality assurance;
  - (xlviii) maintain surveillance of flight operations;
  - (xlix) assure contractor compliance with applicable safety requirements;
    - (I) assure contractor's compliance with small business, labor surplus area, and minority business enterprises mandatory subcontracting programs; conducting, on an as-required basis, small business and labor surplus area set-aside surveillance; and providing advice to small business, labor surplus area concerns, and minority business enterprises;
    - (li) in connection with classified contracts, administer those portions of the Industrial Security Program designated as ACO responsibilities in

**GENERAL PROVISIONS**

the ISR and ISM (See Appendix C, Industrial Security Regulation, DoD 5220.22-R, for partial listing of primary responsibilities (also see 1-320).);

- (lii) make payments on assigned contracts (but see 20-706);
- (liii) assign and perform supporting administration;
- (liv) assure timely submission of required reports;
- (lv) will advise and assist defense contractors regarding their priorities and allocations responsibilities and assist defense purchasing activities in processing requests for special assistance and for priority ratings for privately-owned capital equipment;
- (lvi) process and execute novation and change of name agreements in accordance with Section XXVI, Part 4;
- (lvii) when authorized by the purchasing office, negotiate or negotiate and execute supplemental agreements accelerating or decelerating contract delivery schedules;
- (lviii) when authorized by the purchasing office, negotiate or negotiate and execute supplemental agreements providing for the de-obligation of unexpended dollar balances considered excess to known contract requirements;
- (lix) determine adequacy of prime contractor's Disclosure Statements;
- (lx) determine whether prime contractor's Disclosure Statements are in compliance with Section XV and Cost Accounting Standards;
- (lxi) determine contractor compliance with Cost Accounting Standards and Disclosure Statements, if applicable;
- (lxii) negotiate price adjustments and execute supplemental agreements pursuant to the Cost Accounting Standards clause in 7-104.83;
- (lxiii) perform post award surveillance of contractor progress toward demonstration of Cost/Schedule Control Systems to meet the Cost/Schedule Control Systems Criteria (see 7-104.87), provide assistance in the review and acceptance of contractors' Cost/Schedule Control Systems, and perform post acceptance surveillance to insure continuing operation of contractors' accepted systems;
- (lxiv) when authorized by the purchasing office, issue amended shipping instructions and, when necessary, negotiate and execute supplemental agreements incorporating contractor proposals resulting from the amended shipping instructions;
- (lxv) when authorized by the purchasing office, issue change orders and negotiate and execute resultant supplemental agreements under contracts for ship construction, conversion and repair;
- (lxvi) issue contract modifications requiring the contractor to provide packing, crating and handling services on excess Government property. When the ACO determines it to be in the Government's best interests, he may secure such services from other than the contractor in possession of the property;
- (lxvii) approve contractor acquisition/fabrication of special test equipment as provided in paragraph (b) of the clause in 7-104.26;

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**GENERAL PROVISIONS**

(lxviii) negotiate and execute contractual documents for settlement of cancellation charges under multi-year procurements; and

(lxix) evaluate and monitor contractor's procedures for complying with the "Restrictive Markings on Technical Data" clause in 7-104.9(p).

Procurement functions not designated as contract administration functions shall remain the responsibility of the purchasing office.

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**ARMED SERVICES PROCUREMENT REGULATION**

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**DEFENSE SUPPLY AGENCY**

HEADQUARTERS  
CAMERON STATION  
ALEXANDRIA, VIRGINIA 22314

1 DEC 1975

IN REPLY  
REFER TO DCAS-H

**SUBJECT: Program Managed Contracts**

**TO: Region Commanders**

1. The population of contracts being administered in DCAS is approximately 200,000. Out of these 200,000 contracts, between 300 to 350 are under control of a Program Manager and are directly related to a major weapon system program. To properly support the Program Manager on these contracts it is essential that DCAS maintain open lines of communication with each Program Manager and that we administer his contract with the highest degree of professionalism. To accomplish this the following guidance is provided:

a. Commanders should have sufficient dialogue with Program Managers to assure that we are providing the best possible contract administration support, anticipating production delays and are aware of the PMO's problems. He should also assure himself that personal relationships between the PMO and the CAO are being effectively maintained.

b. The Chief of the Contract Administration Office should establish direct liaison with each Program Manager for whom he is administering a major weapon systems contract. This liaison should result in a relationship that will encourage the Program Manager or his key people to routinely discuss any problem directly with the CAO Chief.

c. An individual in the CAO should be designated as the CAS Program Manager Support Officer and be so identified to the PMO. To effectively perform this job the CAS Program Manager Support Officer should be given authority to work with all CAO functional elements to provide responsive interface with PMO personnel. The individual selected should be a key CAO official involved in an area

APPENDIX C

Buy U. S. Savings Bonds -- Payroll Savings Plan!

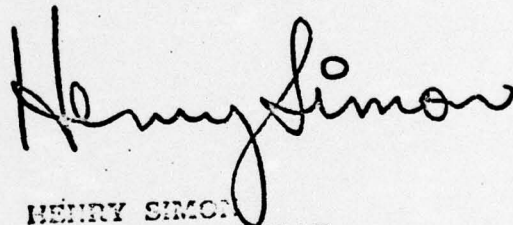
DCAS-H

SUBJECT: Program Managed Contracts

of primary concern to the PMO. CAS PM Support Officer will provide each CAO with a central point of contact for PMO related problems. Resultantly, the CAO will be in a better position to assure that expeditious action is being taken for problem resolution.

2. The PMO must be assured by our service, and through our communications with him, that we are aware of the importance of his program and that we share his concern for its ultimate success.

3. In further support of the Program Manager, DCAS headquarters is currently revising the Engineering Abstract Report so that contracts can be readily identified to project/program manager, weapons system, contractor, CAS PM Support Officer and program areas. This will give visibility and support to this concept at the DCAS level. It is requested that all regions submit to DCAS-H by COB 30 January 1976 the names of the designated CAS PM Support Officers, the Program Managers and systems to which they are aligned. Subsequently this information will be readily available in the EAR monthly printouts.



HENRY SIMON  
Major General, USAF  
Deputy Director  
Contract Administration Services

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3. Armed Services Procurement Regulation, 1 October 1975
4. Defense Supply Agency Manual, 8300.1
5. OA Technicle Development Program Catelog, Defense Supply Agency Handbook 8220.1
6. Production Manual for Contract Administrative Services, Defense Supply Agency Manual 8300.1
7. Directors presentation at ICAF, 6 May 1976 (draft)