

## CONTRACT ADMINISTRATION

**1. INTRODUCTION.** Contract administration is the management of the contract after award has been made. It includes all post-award contracting functions from contract award to final contract closeout such as: administration of Government property, quality assurance, terminations, payment, disputes, contract modifications, and all other functions related to the terms and conditions of the contract. Contract administration may be accomplished in at least three ways: (1) by the contracting officer who awarded the contract; (2) by a contracting officer in a separate branch or division within the contracting activity; or (3) by a contracting officer employed by Defense Contract Management Agency (DCMA). This unit discusses the relationships and responsibilities of those involved with managing a DoD contract after award.

**2. OBJECTIVES.** After completion of this block of instruction, the student should be able to:

a. Explain the difference between a Procuring Contracting Officer (PCO) and an Administrative Contracting Officer (ACO).

b. Identify the role of Defense Contract Management Agency (DCMA) in the administration of DoD contracts.

**3. PROCURING AND ADMINISTRATIVE CONTRACTING OFFICERS.** The contracting process can be split into two parts. The first part is all of the necessary action to get a contract awarded. The second part is the administration of the contract after award. The principal purpose of this phase is to make sure that the contracting parties fulfill their obligations under the contract. Many contracts have two contracting officers assigned to them during this phase.

a. The **Procuring Contracting Officer (PCO)** is responsible for initial award and for contract changes that might arise during the life of the contract. This contracting officer works for a military department or defense agency contracting activity, e.g., Missile Command, Training and Doctrine Command, Eighth Army, or Defense Supply Center Richmond. The PCO works closely with the requiring activity and consequently is usually the only one allowed to change the terms and conditions of the contract.

b. The **Administrative Contracting Officer (ACO)** has overall responsibility for the contract after award. This contracting officer may work for a separate division of the contracting activity, or for DCMA. In either case, the primary responsibility of the ACO is to ensure that the contractor complies with the terms and conditions of the contract. If the ACO works for DCMA, he/she may perform some pre-award functions for the PCO. These include pre-award surveys and cost analysis assistance. Communication and cooperation between the PCO and the ACO are necessary in order to reduce the total Government administrative effort and ensure satisfactory contractor performance. If the ACO is allowed to change the terms and conditions of the contract, it is because such authority was specifically given to him/her by the PCO.

**4. DoD CONTRACT ADMINISTRATION POLICY.** The FAR gives the PCO the responsibility of designating the agency that will monitor the contractor's performance on a particular contract. That agency is usually DCMA for DoD contracts requiring inspection or other contract administration functions at the contractor's facility. Exceptions, such as base, post, camp, and station purchases, architect-engineer contracts, and communications service contracts are specifically mentioned in the DFARS.

**5. CONTRACT MANAGEMENT FUNCTIONS.** Many DoD contracts require performance of only one or two functions. Complex, cost-reimbursement contracts might require personnel from a wide range of functional specialties. In order to simplify the process of assigning contract administration functions, a standard set of normal contract administration functions is listed in the FAR. When DCMA is assigned a contract, all of these normal contract administration functions automatically travel with the contract and become the responsibility of the ACO. Contract administration functions include those that will be performed directly by the ACO, such as negotiating certain kinds of agreements and making certain decisions. Financial services functions include price/cost analysis in establishing the Government's negotiation objective, financial analysis of contractor resources as part of pre-award surveys, cost monitoring, and review of contractor systems. Property management functions include the evaluation of the contractor's property control and accountability system, and screening of excess items of Government-furnished property. Transportation and packaging functions include ensuring the timely, economical, and safe shipment of supplies from contractors to the Government. Quality assurance functions include inspection, monitoring of inspection systems and quality programs, and performing process quality reviews. Program support functions include establishing a program integrator and program support team for the purpose of supporting the program manager. Technical support functions include providing surveillance of program-managed contracts, performing technical analysis of cost proposals, and providing technical assistance to other offices. Industrial support functions focus on production and include performing pre-award surveys, production and delivery surveillance, and technical analysis of cost proposals.

**6. DCMA ORGANIZATION.** DCMA, began as a joint command within Defense Logistics Agency (DLA), in 1990 to improve the administration of contracts by eliminating duplication, reducing operating costs, and achieving uniformity in dealing with industry. The commander of DCMA was also the Deputy Director for Acquisition Management for DLA. Now DCMA is a separate organization consisting of a headquarters staff and geographically aligned districts that are further broken out into geographic area and contractor plant offices. The districts, (East, West, and International), handle policy and procedures, as well as those functions that are not required on a day-to-day basis at a lower level. The area offices, designated by the name of a city, are normally some distance from the district office and administer those contracts that do not require a significant day-to-day Government presence in the contractor's facility. Contractor plant offices, designated by the name of the contractor, are established where the volume of work with one contractor is so great that it is appropriate to establish an office at the contractor's plant, rather than expend extensive time and money for daily travel. Through the area and plant offices

all Government contractors in a geographical area are provided required contract administration support or oversight by visiting or onsite Government personnel. DCMA currently monitors about 25,000 contractors who are performing approximately 360,000 contracts worth more than \$900 billion.

## **7. DCMA'S MISSION AND MAJOR FUNCTIONS.**

a. The purpose of DCMA is to provide contract management services in support of the Army, Navy, Air Force, and defense agency buying activities, the National Aeronautics and Space Administration, other Government agencies, and foreign governments. To accomplish that mission, DCMA performs a variety of functions including:

(1) Providing contract management for the procurement of such diverse product lines as aircraft, space launch vehicles and spacecraft, medical and subsistence items, electrical and electronic commodities, military vehicles, munitions, petroleum, chemicals and lumber;

(2) Performing price/cost analysis, overhead and contractor system reviews, financial services, property and plant clearance, transportation and packaging, and termination settlements;

(3) Providing quality assurance by verifying that the product conforms to contract specifications;

(4) Providing program and technical support by analyzing cost, schedule and technical performance of contractor programs and systems;

(5) Providing access to the services of the Defense Logistics Agency Fraud Program. These services include training in the prevention and detection of fraud; assistance in the investigation of contract-related irregularities; and coordination of administrative remedies;

(6) Providing an array of pre-award services as part of the Early Contract Administration Services (Early CAS) program: and

(7) Performing integrated industrial capability analyses to support the military services' and defense agencies' major weapons acquisition, logistics and readiness programs.

b. DCMA's framework of support to contracting activities has traditionally been thought of as being strictly post-award in nature. However, the Early CAS program brings contract management professionals into the acquisition process as members of the pre-award team. They can assist in preparing solicitations, identifying potential performance risks, selecting capable contractors, and developing contracts that are easily administered with less risk of costly modifications.

c. Once the contract is awarded, DCMA focuses on monitoring the contractor's compliance with the terms and conditions of the contract. Services to contracting officers and program managers include: support to fact-finding and negotiations; safety and environmental assurance;

evaluations of contractor processes and controls; evaluations of contractor corrective actions; control of property; and independent evaluation of contractor progress. Because responsibility and funding for the requirements are controlled by the requiring activity, DCMA's role in contract modifications is as a supporting player, unless specific delegations have been given by the PCO.

**8. SUMMARY.** Contract administration is the management of the contract after award has been made. Most DoD contracts of any consequence are assigned to DCMA for administration. The mission of DCMA is to present a single face to industry in the area of DoD contract administration. The ACO's job is to take the necessary day-to-day actions to assure that the contract terms and conditions are met. The key to successful contract administration is open line of communication between the contracting activity and the contract administrator.