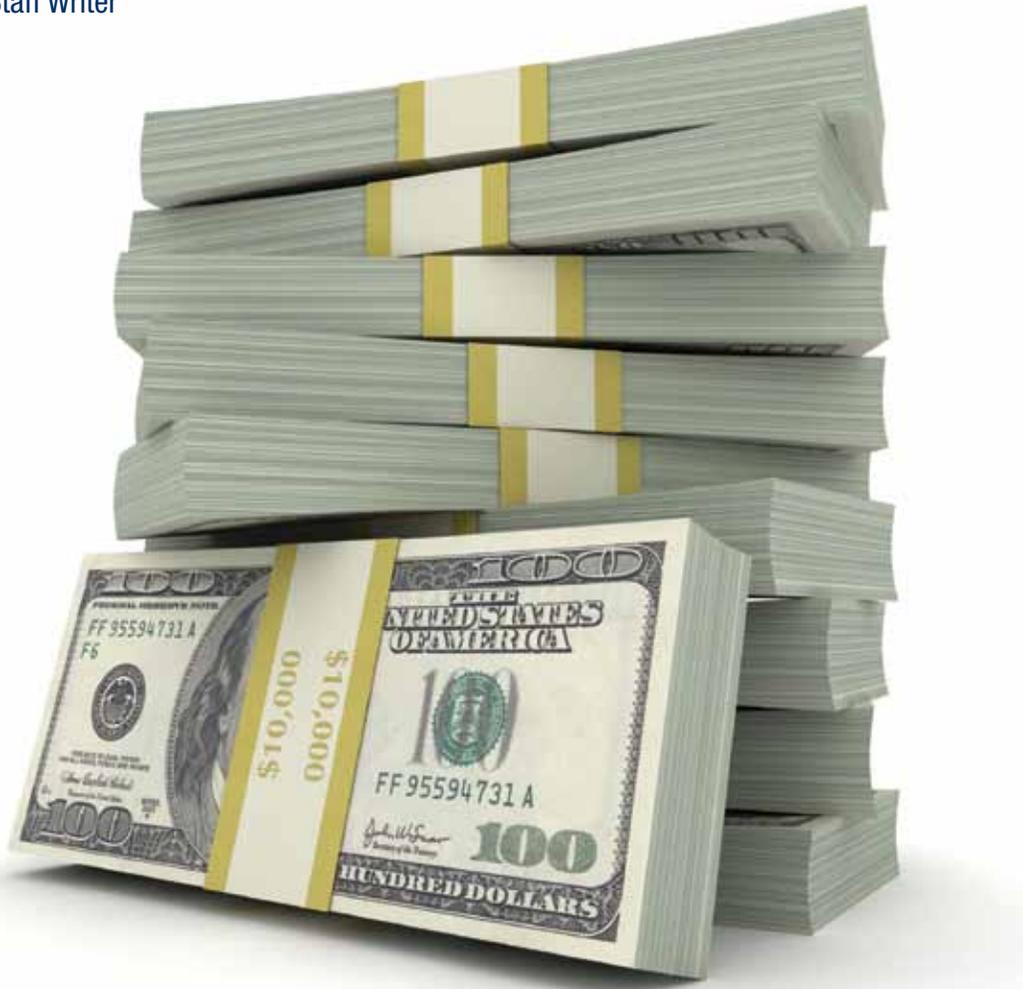


# Agency Reestablishing Cost and Pricing Capabilities

Matthew Sablan | Staff Writer



## The Defense Contract Management Agency's dynamic nature requires an evolving process, where

priorities and goals change frequently. One priority DCMA recently refocused on is cost and pricing services. DCMA's proficiency in this area has seen a recent resurgence since the establishment of DCMA's Cost and Pricing Center. Cost and pricing assures the Department of Defense gets the best, most reasonable prices for various services and products through price and cost analyses.

"Significant overhead dollars were being charged to government contracts with limited oversight," said Ed Giangrande, DCMA Director Corporate Administrative

Contracting Officer Division, DCMA Cost and Pricing Center director. In addition, inconsistent policy application and handling of complex cost issues occurred, and the infrastructure did not exist to rapidly train or acquire cost and pricing experts. DCMA was also unable to support overhead should-cost reviews and special customer requests.

To combat these failings, the DCMA Cost and Pricing Center was established in November 2009. Ron Youngs, DCMA Defense Contract Management Agency Cost and Pricing Center director, took the lead. Part of his effort to re-establish cost and pricing capability was to reach out to a "nucleus" of five cost and pricing experts

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— Ed Giangrande, Defense Contract Management Agency Corporate Administrative Contracting Officer Division director



*Defense Contract Management Agency Cost and Pricing associates Tony Coit, seated, Frank Skeiber, middle, and Kathy MaGuire examine several reports and compare them to other records at the DCMA Cost and Pricing Center. By restoring DCMA's capabilities in cost and pricing, the agency is able to provide crucial support to save the government money and provide needed supplies to warfighters.*

to staff the center's CACO Division.

These experts came out of retirement to reestablish DCMA's leadership in cost and pricing and revive 10 to 12 years of lost cost monitoring capabilities.

"Phil Metivier and I were working at Hanscom as support contractors; Tony Coit and Ralph DeSimone were enjoying golf. Frank Skeiber was helping out with his grandkids. But, our allegiance to DCMA brought us back," Giangrande said.

The team's goal was to create a self-sustaining CACO Division for DCMA's Cost and Pricing Center. It ensured adherence to a consistent set of rules for DoD to reduce problems with enforcement and increase compliance. "We came out of retirement because we knew establishing the division was important to the customers we serve and the agency we once were affiliated with," Giangrande said.

The team's initial assignment was to set up the infrastructure for the CACO Division. Today, these responsibilities include monitoring day-to-day activities for 56 contracting officers, cost/price specialists and support staff. David Allen, former DCMA Data Analysis, Training and Career Management Division director, explained the center's staff has focused on working to improve capability and recover lost talent.

Establishing DCMA's Cost and Pricing Center gave the function consistency and renewed purpose. "We act as integrated business advisors," Allen said. The center allows for a coordinated, consistent approach to complex cost and contractual issues, such as the establishment of forward pricing rate agreements and forward pricing rate recommendations. Improved documentation and consistent processes save time, reduce errors and ultimately increase efficiency.

The center's Data Analysis and Training Division assists in on-boarding and orientating new recruits and creates training modules for cost and pricing monitors and analysts. "The center is a one-stop shop for cost and pricing and negotiation-type information," Allen said.

Emily Marshall, DCMA Boston director, explained associates were "thirsty for knowledge" about cost and pricing techniques. Ad-hoc classes were held when requested with approximately three classes at DCMA Boston and attendees coming from nearby contract management offices. "At these classes, ACOs, contract administrators and cost/price analysts received useful information," Marshall said.

Including experienced team members and new journeymen hires, DCMA now

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— U.S. Air Force Capt. Joe Barnum, Air Force Cost Analysis Agency cost analyst

has approximately 550 analysts who are responsible for overseeing billions of dollars. Of the nation's budget, approximately \$400 billion is used to purchase services or products. Of that, approximately 50 percent are indirect costs — the costs that DCMA's DACOs, CACOs and other cost and pricing experts monitor and analyze.

These experts' day-to-day activities save the government money and increase the agency's cost consciousness. They create forward pricing rate recommendations and forward pricing rate agreements that allow PCOs and ACOs to negotiate quality deals. DCMA's analysts "provide the analysis that directly supports the DACOs and CACOs; they let us shake hands with the contractor and agree what something is worth," Allen said.

“Our number-one customer is the taxpayer,” Giangrande said. “DCMA needs to communicate and get the word out that cost and pricing efforts lower costs to the government.”

“A few percentage points difference is huge for DoD. We are getting the most bang for our buck and can make the difference between having 10,000 rifles or 8,000 rifles,” Allen said. “We have a vested interest in how that money is used and play a big role in stewardship.”

The Cost and Pricing Center allows DCMA to spread its dollars, cover agreements, provide valuable information and save time in negotiations to help reduce the cycle time it takes to field purchased equipment.

During this transition, DCMA held 43 Board of Reviews and participated in an initial set of corporate overhead and should-cost reviews. DCMA made several recommendations to Defense Procurement and Acquisition Policy to improve the forward pricing process and has been steadily reducing the number of open audit findings.

### Case Studies in Cost and Pricing

One of the biggest accomplishments for the Cost and Pricing Center is the renewed engagement in overhead should-cost reviews. Before these, the last overhead should-cost review DCMA did was in the early 1990s. The initial milestone plan had the center beginning on a more delayed schedule beginning in fiscal year 2012. However, a need arose for the Air Force, and DCMA delivered. Allen explained these reviews were accelerated to meet DoD’s needs. “Ron Youngs did yeomen’s work on the part of DCMA to find the resources to make it all happen,” Allen said.

The first overhead review looked at cost-cutting measures across DoD and Air Force programs. Starting in April 2010, more than 50 DCMA team members from the center, headquarters, various contracting centers and CMOs analyzed indirect costs. U.S. Air Force Capt. Joe Barnum, cost analyst, Air Force Cost Analysis Agency, acknowledged DCMA’s efforts, saying, “I really enjoyed working with them. They taught me a lot about the negotiation side of things.”

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“Some of the recommendations have been able to flow up and are being taken at the very highest levels,” Barnum said. He believes that the in-depth overhead review serves as a good template for future reviews and that the Air Force Cost Analysis Agency was able to come up with a better plan to assess contractor oversight thanks to DCMA’s support.

The second review was an overhead should-cost review conducted during summer 2010 for the Evolved Expendable Launch Vehicle, a U.S. Air Force program. The secretary of the Air Force, who also serves as the DoD executive agent for space, requested this review. Allen noted that DCMA was chosen to participate because of its expertise and insight.

The EELV review will help the Air Force to better understand overhead and other costs associated with the program. Allen and Cost and Pricing Center staff worked with the Air Force to conduct the review and gather the necessary data. More than 50 people across DCMA contributed to the overall effort at multiple field sites nationwide.

Many of the individuals who helped with the review had other tasks to accomplish. “The field work was vital to meeting the suspense,” Allen said. DCMA team members supported each other to ensure access to the skills needed to complete the review on time. The review was extremely successful with more than two-thirds of the total cost reduction initiatives suggested by the DCMA team.

“You can see the value that DCMA brings by looking at the quality and quantity of findings we made,” Allen said. The review will estimate costs across the program’s life cycle, which will help preserve America’s space launch capabilities.

In addition to providing support to the Air Force, the reviews yielded lessons

learned that DCMA can take apply to future should-cost reviews, and they have also given the new members of DCMA’s Cost and Pricing workforce much-needed experience for upcoming challenges.

Giangrande believes the center’s success is due to support from Shay Assad, Defense Procurement and Acquisition Policy director. DCMA’s Cost and Pricing Center hosts DPAP off-site sessions every quarter. Senior DoD acquisition personnel, senior acquisition personnel from each of the Services and Defense Contract Audit Agency personnel attend these sessions. These meetings demonstrate DCMA’s expertise and build strategic relationships with its customer base.

Another important facet and key to DCMA’s future success in pricing will be its relationship with DCAA. “We must ensure that we maximize the benefits that our two agencies’ diverse skill sets bring to the overall acquisition process,” Youngs said. “Our ACOs in DCMA need to ensure that every element of cost questioned in a DCAA audit report is understood, discussed with the auditor, effectively dispositioned in a well-written post-negotiation memorandum and finalized in the Board of Review process.”

Through this work with its partners and its employees’ efforts, the center enhances the cost and pricing community’s performance by applying consistent advice and actions throughout the acquisition system. The community benefits from consistency on complex matters, and the agency’s position is strengthened when rendering decisions. The center serves taxpayers and warfighters by helping to provide the best equipment and services at the right cost to the government. “We were hired to do a job, and we did it,” said Giangrande. 📍