

**Performance Based Agreement
between
Defense Logistics Agency
and
Defense Contract Management Agency**

This Performance Based Agreement (PBA) is made and entered into on May 20, 2009, by and between the Defense Logistics Agency (“DLA”) and the Defense Contract Management Agency (“DCMA”), each a “Party,” and together, “the Parties.”

WHEREAS, DLA and DCMA desire to establish a performance-based partnership to enhance the collective ability of the Parties to provide best value to Department of Defense (DOD) customers.

NOW, THEREFORE, it is hereby agreed as follows:

I. Objective and Scope

This PBA establishes a framework for the coordination and alignment of DCMA resources in support of DLA. It also highlights the key partnering efforts necessary to enhance the collective ability of DLA and DCMA to provide best value to Department of Defense (DOD) customers.

II. Content

This agreement is made in the context of initiatives currently being undertaken by DLA and DCMA. The PBA is designed to synchronize DLA and DCMA transformative initiatives with the current goals and objectives of DOD’s acquisition and logistics enterprise. The following are current business process improvement efforts which could support PBA efforts:

- A. DLA Enterprise Business Systems (EBS): DLA’s Transformation Strategy reflects a commitment to improve support and reduce cost recovery rate, which will free up resources for the Services to use for recapitalization. The success of DLA’s transformation initiatives depends largely on how well they are aligned and coordinated with corresponding initiatives and legacy systems of the individual Services and DCMA. DLA and DCMA will mutually work to ensure robust system interfaces between EBS/E-Procurement architecture, Wide Area Workflow (WAWF), and Mechanization of Contract Administration Services (MOCAS). DLA agrees to process the System Change Request (SCR) to send EDI 860 contract modification transactions to MOCAS.
- B. Base Realignment and Closure (BRAC): DLA and DCMA will work together to support BRAC recommendations regarding the transfer of procurement management of Depot Level Repairable (DLR) and Consumable Items to DLA. DCMA will provide visibility of contract performance measures at the DLA Detachments as procurement management of DLRs and consumables transfer to DLA.

C. Supplier Relationship Management: DLA has developed strategic relationships such as Strategic Supplier Alliances, Performance Based Logistics initiatives, and Supply Chain Partnerships that involve partnering with certain key suppliers who are either sole source Original Equipment Manufacturers, have extensive long-term corporate contracts, or are providers of tailored logistics services as well as parts. DCMA will actively support these partnerships through appropriate participation in improvement teams, Executive Steering Groups and other relevant meetings.

D. Other Disbursement Office (ODO) Contracts: At DLA's request, DCMA will perform limited administration of DLA ODO contracts (defined as contracts with payment office Department of Defense Activity Address Code (DoDAAC) SL4701). The limitations on DCMA administrative functions are outlined in paragraphs 3 and 4 below. DCMA will perform this limited administration on ODO awards that are both Firm Fixed Price (FFP) and do not contain contract financing clauses. If DCMA receives DLA ODO contracts for limited administration that have either an EPA clause or contract financing clauses, at DCMA's request, DLA will modify the contract to change the payment office so that MOCAS may be used and DCMA can perform full administration in accordance with FAR 42. Until such time as the requested modification to allow use of MOCAS is executed, the limitations on DCMA administrative functions for these contracts remain as outlined in paragraphs C and D below. The following provisions are applicable to DLA ODO contracts for which DCMA will exercise limited administrative functions.

1. DLA and DCMA will jointly ensure that all affected software interchanges are revised to seamlessly distribute Electronic Data Interchange (EDI) 850 and 860 transaction data electronically between MOCAS and EBS.
2. DLA will require all Procuring Contracting Officers (PCOs) to post Indefinite Delivery Contracts and orders under Basic Ordering Agreements to the Electronic Document Access database.
3. Since MOCAS/DFAS Columbus is not the payment office for ODO contracts, DCMA personnel will not manage contract payments on these contracts. DCMA will provide all contract administration functions under FAR 42 for DLA's ODO contracts for which DCMA is assigned contract administration, except for payment and certain aspects of closeout relating to funds reconciliation (see 4 below). Any inquiries from contractors regarding status of payments on ODO contracts will be referred to the PCO.
4. Because DCMA administration offices do not have the visibility into EBS to verify submittal or payment of invoices for delivered items or payment of the final invoice, DCMA Administrative Contracting Officers (ACOs) will not be able to perform the funds review at contract closeout as required by FAR. The DCMA Contract Management Office (CMO) will forward EDI 567 transaction data, at the delivery order and contract level, based upon receipt of a final DD Form 250 or electronic equivalent. DLA will retain the responsibility for contract closeout for the following FAR requirements:
 - a. FAR 4.804-5(a)(14) requiring verification that a final invoice has been submitted.
 - b. FAR 4.804-5(a)(15) requiring that a contract funds review be completed and that excess funds be identified to the buying office for de-obligation.

- c. FAR 4.804-5(b)(9) requiring that the contract completion statement include the number and date of the final invoice.
 - d. DFARS 204.804-2(1)(iv) requiring that the final DD Form 1594 or Military Standard Contract Administration Procedures transaction be triggered by the final payment.
- E. Product Assurance Support: The Parties will jointly enforce contractor compliance with contractual requirements regarding Government Contract Quality Assurance. In addition, the Parties will participate in pre-award surveys to support best value source selection, and post-award conferences to address technical issues or specific problems, as requested by the Contracting Officer.
- F. Production Surveillance Support:
1. In accordance with DFARS 242.1104, Surveillance requirements, the DCMA cognizant Contract Administration Office (CAO):
 - a. Shall perform production surveillance on all DLA contractors that have Surveillance Criticality Designator (SCD) A or B contracts; and,
 - b. Shall not perform production surveillance on contractors that have only SCD C contracts, unless specifically requested by the Contracting Officer.
 2. In accordance with FAR 42.1105, Assignment of Criticality Designator, DLA contracting officers shall assign the corresponding criticality designator to each contract, in the space for designating the contract administration office, in accordance with the following Criticality Designator criteria:
 - a. Criticality Designator "A": Critical contracts, including DX-rated contracts (see FAR Subpart 11.6), contracts citing the authority in 6.302-2 (unusual and compelling urgency), and contracts for major systems.
 - b. Criticality Designator "B": Contracts (other than those designated "A") for items needed to maintain a Government or contractor production or repair line, to preclude out-of-stock conditions, or to meet user needs for nonstock items.
 - c. Criticality Designator "C": All contracts other than those designated "A" or "B."
 3. DCMA agrees to provide the latest version of Delivery Schedule Manager training at the DLA Supply Centers to DLA personnel.
 4. DLA agrees to process the System Change Request (SCR) to correct the SCD for automated awards. At each quarterly DLA-DCMA PBA meeting, DLA will submit a report to DCMA that documents DLA's efforts to identify contracts with inaccurate SCD codes at time of SCR implementation.
 5. DLA will ensure that DCMA receives an updated list of Strategic Suppliers. DCMA will provide to DLA a quarterly report, tied to the Strategic Suppliers identified by DLA. Report will analyze the delinquencies associated with the ten most delinquent Strategic

Suppliers during the quarter, and recommend remedies to correct the delinquent performance.

- G. Pricing Support. DLA and DCMA will negotiate the scope and timing of pricing support necessary to meet DLA customer requirements. Additionally, the Parties recognize that Forward Pricing Rate Agreements/Forward Pricing Rate Recommendations (FPRA/FPRR) are essential elements of the cost and pricing process. DCMA agrees to provide forward pricing rate agreements or recommendations upon request from DLA.
- H. Procurement Technical Assistance (PTA) Annual Report. DCMA agrees to support performance reviews of each cooperative agreement for PTA for which DCMA performs post award administration in accordance with standards and metrics to be jointly developed and agreed to by the DLA Small Business Office and DCMA. The purpose of the review is to evaluate the recipient's performance and ensure compliance with applicable Office of Management and Budget circulars, DOD Grant and Agreement Regulations, and the Solicitation for Cooperative Agreement Applications. No later than 60 calendar days prior to the end of the current performance period, the assigned DCMA Administrative Grants Officer, with the assistance of the DCMA Small Business Center Assistant Director, will complete each annual performance review and provide a final written report, utilizing the Performance Review template as a guide. Depending on the information contained in the report, DCMA may be required to perform an additional review prior to the end of the performance period.

III. Roles and Responsibilities

- A. DLA-DCMA Performance Based Agreement Council: The PBA Council is an official forum utilized by DLA and DCMA to review performance measures and to address prioritized issues relative to improving contract management. The Council is co-chaired by DLA J-7 and DCMA-AQ, and includes representation from Subject Matter Experts (SMEs) across the DLA and DCMA enterprises. Information Technology representatives will report on problems/improvements regarding system interfaces between EBS, E-Procurement, WAWF, and MOCAS.
- B. DLA will designate SMEs to be on Integrated Process Teams (IPTs) formed in response to action items resulting from PBA Council discussions.
- C. DCMA will designate SMEs to be on IPTs formed in response to action items resulting from PBA Council discussions.
- D. DCMA Customer Liaison Representatives will help enhance communications and real-time customer situational awareness, facilitate problem resolution, and provide customer education and training on DCMA products, services, capabilities and limitations.

IV. Performance Measures

The performance metrics for this partnership are contained in Appendix A. At each quarterly meeting of the DLA-DCMA PBA Council, DCMA will report on metrics under the following categories: Improve Readiness, Shift to Strategic Sourcing, and Improved Efficiencies in Pricing;

DLA will report on metrics identified as DLA Responsibilities. As the DLA and DCMA relationship advances and business systems evolve, goals and metrics may be refined, tracked, and reported in accordance with requirements set forth by the DLA-DCMA PBA Council.

V. Revisions and Flexibility

The PBA will take effect on the date signed by the principals and will remain in effect until rescinded by the Parties. The PBA will be reviewed on an annual basis and amended as needed.

VI. Accountability and Oversight

To ensure the Parties enforce this agreement, each will commit adequate resources (e.g., funding, manpower support) necessary to achieve the required support levels. Neither party will seek reimbursement from the other for functions, activities, or costs covered by this PBA.

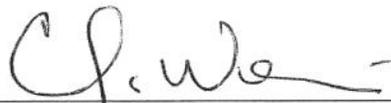
VII. Existing and Future Agreements

- A. Order of Precedence. This PBA takes precedence in the event any inconsistencies are discovered between this document and existing applicable agreements between the Parties.
- B. All formal agreements between DLA and DCMA will be included as annexes to this PBA. The PBA Council will coordinate on draft agreements to ensure they do not conflict with this PBA.
- C. The PBA Council will recommend improvements to this agreement and may make minor administrative changes. Substantive modifications to this PBA must be executed in writing by the Parties' Agency Directors or their delegates.

IN WITNESS WHEREOF, the Defense Logistics Agency and the Defense Contract Management Agency have entered into this Agreement effective as of the date first set forth above.



A. S. Thompson
Vice Admiral, SC, USN
Director, Defense Logistics Agency



Mr. Charlie E. Williams, Jr.
Director, Defense Contract Management Agency



Appendix A

Improve Readiness



Objective	Strategy	Metric
<p>Attainment to Plan: TIMELINESS</p>	<p>Perfect Order Fulfillment: <i>Right Time? Right Place? Right Items? Right Quantity? Documentation correct?</i></p> <ul style="list-style-type: none"> • Delivery Assurance / Improve Production Lead Time (PLT) • Improve visibility of impending delinquencies on Surveillance Criticality Designator (SCD) A and B awards (Timely notification regarding potential delivery date delinquencies will give DLA maximum time to coordinate a work-around solution) 	<p>The monthly percentage of notifications made ahead of the scheduled delivery date for impending delinquencies on SCD A and B awards will be determined as follows:</p> <p># of delinquent schedules per month with delay notices ≥ 30 days # of delinquent schedules per month</p> <p>Green: 80% Yellow: 70-79% Red: <70%</p>
<p>Attainment to Plan: TIMELINESS</p>	<p>On Time Delivery, by Supplier</p>	<p>Percentage of on-time schedules =</p> <p>$\frac{\# \text{ of on-time schedules}}{\# \text{ of scheduled schedules}}$</p> <p>Green: 90-100% Yellow: 70-89% Red: < 70%</p>



Appendix A

Improve Readiness

Objective	Strategy	Metric
<p>Attainment to Plan: TIMELINESS</p>	<p>Defense Priorities and Allocations System (DPAS) DX Rating: Inform the DLA Contracting officer and Dept. of Commerce when violations are discovered.</p>	<p>Percentage of DPAS DX violations = <u># of DPAS DX violations</u> <u># of contracts with DPAS DX rating</u> Green: 0-3% Yellow: 4-10% Red: >10%</p>
<p>Attainment to Plan: SUBCONTRACTING Program Reviews</p>	<p>Complete DCMA Form 640 subcontracting program reviews on prime contractor subcontracting programs IAW proposed schedule. Scheduled number of reviews per month between Jan-Aug each FY completed on time 75% of the time.</p>	<p>Timeliness of 640 Reviews = <u># of 640 reviews completed /month</u> <u># of 640 reviews scheduled/month</u> Green: 75-100% completed on time Yellow: 62-74% completed on time Red: <62% completed on time</p>



Appendix A

Improve Readiness



Objective	Strategy	Metric
<p>Attainment to Plan: QUALITY</p>	<p>DCMA to provide interim replies and final replies for Cat I and II interim and final replies, per regulation. Cat I Product Quality Deficiency Reports (PQDRs): Interim replies and final replies due in 20 days Cat II PQDRs: Interim replies and final replies due in 30 days</p>	<p>Separate metric, each, for Cat I interim replies, Cat I final replies, Cat II interim replies, and Cat II final replies, calculated as follows: $\frac{\# \text{ of replies completed by suspense date}}{\# \text{ of replies due}} = \% \text{ on time}$ Green: 90-100% Yellow: 80-89% Red: < 80%</p>
<p>Attainment to Plan: QUALITY</p>	<p>DCMA to provide Corrective Action Request (CAR) data against DLA Identified Strategic Suppliers to DLA J3/4 on a Quarterly Basis.</p>	<p>CAR reports to be sent out by the 15th of each quarter Green: All CAR reports sent on or before the 15th of the quarter Yellow: All CAR reports sent 1 to 3 business days after the 15th of the quarter Red: Any CAR reports sent > 3 business days after the 15th of the quarter</p>



Appendix A

Shift to Strategic Sourcing



Objective	Strategy	Metric
<p>INDUSTRIAL BASE: Industrial Capability Assessments</p>	<p>Perform Industrial Capability Assessments identified in an annual study plan in support of identified War Stopper Investments.</p>	<p>Eighty-five percent (85%) completion of requested Industrial Capability Assessments negotiated with DLA and identified in an annual study plan are delivered on time and at a quality level satisfactory to the customer.</p> <p>Green: 85 – 100% Yellow: 80 – 84% Red: < 80%</p>

August 2010



Appendix A Improved Efficiencies in Pricing



Objective	Strategy	Metric
<p>PRICING ACTIONS</p>	<p>Complete pricing actions within 45 days of request date, or other mutually agreed upon due date</p>	<p>Acknowledge/establish, within 5 days of receipt of pricing request, the due dates acceptable to Customers for pricing support:</p> <p><u># acknowledged in 5 Days</u> = % on time <u># received</u></p> <p>Green: 90-100% Yellow: 80-89% Red: <80%</p> <p>% of pricing actions completed on time (within 45 days or other mutually agreed upon date) =</p> <p><u># completed by suspense date</u> <u># completed</u></p> <p>Green: 90-100% Yellow: 80-89% Red: <80%</p>



Appendix A

Improved Efficiencies in Pricing

Objective	Strategy	Metric
<p>Definitize Undefined Contract Actions (UCAs) and Change Orders (where definitization authority has been delegated to DCMA ACO)</p>	<p>Definitize UCAs and Change Orders within 180 days of the order issuance or induction of the asset; Reduce the number of over age UCAs</p>	<p>Report on status of DLA UCAs over \$5M.</p>



Appendix A

DLA Responsibilities



Objective	Strategy	Metric
Post Basic Contracts in the Electronic Document Access (EDA) database	Timely posting of Indefinite Delivery Contracts and Basic Ordering Agreements into EDA	Green: 0-10 working days* Yellow: 11-20 working days Red: >20 working days
Post Bilateral Purchase Orders and SCD "C" Contracts in EDA	Timely posting of Bilateral Purchase Orders or SCD "C" Contracts into EDA	Green: 0-10 working days Yellow: 11-20 working days Red: >20 working days
Contract Modifications	Enterprise Business System (EBS) Outbound transmission of Electronic Data Interchange (EDI) 860 data transactions (contract modifications)	% of EDI 860 data transactions transmitted electronically to DCMA Green: 90% Yellow: 80-89% Red: < 80%
Contract Modifications	EBS Inbound receipt of EDI 860 data transactions (contract modifications)	% of EDI 860 data transactions received electronically from DCMA Green: 90% Yellow: 80-89% Red: < 80%
Assign Appropriate SCD Code for Awards**	Accurate assignment of appropriate SCD Code to new awards (SCD "C" Contracts and Purchase Orders)	Green: 90%-100% have Correct Code Yellow: 80%-89% have Correct Code Red: <80% have correct code

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* Based on system logic of seeding the Basic Contract into the ECF.

** SCR in process to correct Criticality Designator for automated awards.