



DEPARTMENT OF THE AIR FORCE
OFFICE OF THE UNDER SECRETARY
WASHINGTON, DC 20330-1080

INTERNATIONAL AFFAIRS

MEMORANDUM FOR SEE DISTRIBUTION

FROM: SAF/IAPX
1080 Air Force, Pentagon
Washington, DC 20330-1080

SUBJECT: FMS Contract Administrative Services (CAS) Surcharge Policy Improvements
(DSCA letter 02-14 of 3 Jun 2002) (SAF/IAPX 03005)

This memo forwards DSCA's policy guidance on revised Foreign Military Sales (FMS) Contract Administrative Services (CAS) rate structures and methodology provided in attachments one through six. Attachment two of DSCA's memo is a detailed and specific explanation of new rates.

If you have any questions, please contact Colleen A. Henson, 703-588-8975 or email me at colleen.henson@pentagon.af.mil.

Terry L. Bates
Chief, Security Assistance Policy Division
Directorate of Policy

DISTRIBUTION:
See Attached List

03 JUN 2002
In reply refer to:
I-02/006079-FM

MEMORANDUM FOR

DEPUTY UNDER SECRETARY OF THE ARMY
(DEFENSE EXPORTS AND COOPERATION)
(DASA(DE&C)/SAAL-ZN)
DEPARTMENT OF THE ARMY

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DEPARTMENT OF THE NAVY

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AGENCY

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DIRECTOR, DEFENSE CONTRACT MANAGEMENT
AGENCY

DIRECTOR, DEFENSE CONTRACT AUDIT AGENCY

DIRECTOR, DEFENSE FINANCE AND ACCOUNTING
SERVICE (DENVER CENTER)

SUBJECT: FMS Contract Administrative Services (CAS) Surcharge Policy Improvements
(DSCA 02-14)

As announced in the September 2001 Security Cooperation Conference, I chartered a team to review and recommend improvements to the FMS Surcharges. CAS was the first surcharge explored in depth. This memorandum announces the FMS financial policies and procedures for implementing the CAS improvements. Please note that some of the items discussed herein are effective immediately, while others will be implemented at a later time (e.g., FY2003).

The CAS improvements encompass clarifying its purpose and scope; establishing a revised rate structure; developing future rate validation guidelines; revising reciprocal agreement processes;

and mapping the associated FMS case management transactions. For example, a major outcome regards the FMS CAS rate as shown below:

FMS CAS Component	For LOAs Implemented Before 1 Oct 2002	For LOA Implemented On or After 1 Oct 2002
Contract administration/mgmt	0.50%	0.65%
Quality assurance & inspection	0.50%	0.65%
Contract audit	0.50%	0.20%
Outside CONUS (OCONUS)	Previously included above	0.20%

A summary of Attachments 1 through 5 that follow, which provide additional details on these improvements, is furnished on the page next under.

This package will be posted on the DSCA web site, Publications and Policy section (www.dsc.osd.mil), and will be incorporated into the SAMM and DoDFMR, Volume 15.

In summary, I am confident that these policies represent real change and improvements to our FMS program. Its implementation and widespread practice will further promote business process efficiencies and increase customer satisfaction. To that end, I want to thank the individuals outside DSCA as noted in Attachment 6 for their outstanding contributions to this important endeavor. Please convey my personal appreciation for their dedication and professionalism, without which this endeavor would not have been accomplished.

Should your staff have any questions, the DSCA points of contact/Surcharge Team co-chairs are Mr. David Rude, telephone (703) 604-6569, e-mail: david.rude@osd.pentagon.mil and Ms. Vanessa Glascoe, telephone (703) 601-3744, e-mail: Vanessa.glascoe@osd.pentagon.mil.

/signed/
Tome H. Walters, Jr.
Lieutenant General, USAF
Director

Attachments
As stated

Copy to:
Chairman, Foreign Procurement Group
Commandant, DISAM
OUSD (Comptroller)/ODCFO/F&MP
OUSD (AT&L/Foreign Contracting)

USASAC Alexandria
USASAC New Cumberland
NAVICP
AFSAC

SUMMARY OF ATTACHMENTS

Attachment 1: FMS CAS Purpose and Scope

One of the initial items the team addressed was to determine the purpose and scope of the FMS CAS surcharge. In that regard, Attachment 1 provides a matrix that correlates the FMS CAS functions with those specified in the Federal Acquisition Regulation (FAR). The matrix identifies those functions, categorizes them into the appropriate CAS pool, identifies the performing activity(ies), and provides additional comments as appropriate. We hope this matrix offers a better understanding of what CAS as regards FMS entails, and facilitates improved communications among the performing activities.

Attachment 2: FMS CAS Rate Assessment and Structure

The team reviewed the resource and funding efforts required to effectively execute the FMS CAS functions. Based on these findings, the means by which the CAS rate is assessed and the corresponding rate structure were revisited. The new CAS rate structure as described in Attachment 2 is effective with basic LOAs initiated in FY2003.

The long-term goal is to get to a process by which CAS is charged on an actual cost basis. ***This will be accomplished by DCMA and DCAA presenting to DSCA by 31 December 2002 a study for addressing the potential transition of FMS CAS to an actual cost basis on dedicated FMS CAS line(s) on an LOA.*** Based on this study, an assessment will be made to determine a course of action that is both beneficial, desirable and provides a clear return on investment.

Attachment 3: FMS CAS Surcharge Rate and Country Validation

The mechanics of this validation process, and the current tables relating to specific countries/international organizations, are described in Attachment 3.

Attachment 4: FMS CAS Reciprocal Agreements

Attachment 4 is the flowchart depicting the FMS CAS-related reciprocal agreement process. In addition, under separate cover DSCA will forward to DoD General Counsel recommendations for improving DoD Directive 5530.3 (International Agreements), which assigns responsibility for controlling the negotiation and conclusion of agreements with foreign governments and international organizations by DoD personnel.

Attachment 5: FMS CAS Process Mapping

One of the key elements of managing FMS CAS is understanding the processes by which it operates. The team explored FMS CAS in the context of reciprocal agreements, budget formulation, LOA development and LOA execution. Separate flowcharts depicting these distinct yet related processes were developed, and are furnished at Attachment 5 (except for reciprocal agreements, noted in Attachment 4).

FMS CAS Budget Formulation. Refer to the flowchart provided at Attachment 5 (chart 5.1). To optimize the efficiency of the budget formulation process, DSCA/COMPT-RM will move the annual OCONUS budget call to the March timeframe, which is conducive to when DCMA International (DCMAI) issues the annual budget plan to its field activities.

FMS CAS LOA Development. Refer to the business rules at Attachment 5, and the corresponding flowchart provided at Attachment 5 (chart 5.2).

FMS CAS Execution. Refer to the business rules at Attachment 5, and the corresponding flowchart provided at Attachment 5 (chart 5.3). That diagram is the foundation on which the detailed FMS CAS requirements for the Case Execution Management Information System (CEMIS) are being built.

FMS CAS Account Payment Components. Attachment 5 describes those efforts for which reimbursement from the FMS CAS Account is authorized.

REVISED FOREIGN MILITARY SALES (FMS) CONTRACT ADMINISTRATIVE SERVICES (CAS) RATE METHODOLOGY

Background

When compared to the revenue generated by the current 1.5% FMS CAS surcharge, the Surcharge team noted that the functions performed primarily by the Defense Contract Management Agency (DCMA) required funds exceeding the 1.0% allotted for quality assurance/inspection and contract administration. The contract audit effort performed predominantly by the Defense Contract Audit Agency (DCAA) costs less than the 0.5% allotted within the FMS CAS rate. The team also noted that \$31M was infused into the FMS CAS account during the FY99/FY00 timeframe to ensure solvency. A major obstacle to the continued solvency of the FMS CAS account was the decision to charge the FMS Trust Fund, vice individual FMS cases for Outside the Continental United States (OCONUS) efforts effective 1 Oct 1993.

Based on these findings, the means by which the CAS rate is assessed and the corresponding rate structure were revisited. The new CAS rate structure as described below is effective with basic LOAs initiated in FY2003. Although the DCMA¹ and DCAA systems that track CAS requirements provide some level of detail, neither system is currently capable of consistently identifying CAS at the individual FMS country/case/line level. Until those systems reach that level of sophistication, CAS will continue to be charged on a percentage (fixed rate) platform. This paper also describes the CAS rate assessment methodology, associated rates, DSAMS programming requirements, and implementation timeline.

By 30 June 2002, OUSD (Comptroller) will issue an interim change to the Department of Defense Financial Management Regulation (DoD FMR), Volume 15, authorizing the CAS rate changes.

Revised Rate and Rate Structure

Effective with new (basic) Letters of Offer and Acceptance (LOAs) implemented on or after 1 October 2002, the rate and rate structure for FMS CAS changes. For LOAs implemented prior to 1 October 2002, the previous FMS CAS rates apply for the remaining life of those LOAs. In addition, Outside the Continental United States (OCONUS) efforts shall now be charged separately from the other categories relating to FMS CAS: quality assurance and inspection; contract audit; and contract administration. The following table applies:

¹ The methodology for calculating FMS CONUS CAS earnings for DCMA is outlined in the 9 Apr 1999 CAS Memorandum of Agreement between DCMA, the Defense Finance and Accounting Service (DFAS) and DSCA. FMS OCONUS CAS earnings are calculated on an actual cost basis at the country level.

FMS CAS Component	For LOAs Implemented Before 1 Oct 2002	For LOA Implemented On or After 1 Oct 2002
Contract administration/mgmt	0.50%	0.65%
Quality assurance & inspection	0.50%	0.65%
Contract audit	0.50%	0.20%
Subtotal, CONUS FMS CAS	1.50%	1.50%
Outside CONUS (OCONUS)	Previously included above	0.20%
Total, CONUS + OCONUS FMS CAS	1.50%	1.70%

See “Defense Security Assistance Management System (DSAMS) Changes” section below for information about developing LOA documents in DSAMS that incorporate these revisions.

OCONUS Impact

The separation of OCONUS as an additional FMS CAS component requires a clear channel of communication between the contracting officer, DCMA and the FMS case manager. It involves a two-pronged approach: OCONUS request and OCONUS confirmation. Optimally, the purchaser’s desire for OCONUS CAS should be stated in the Letter of Request (LOR) whenever possible. In less than optimal conditions, if the OCONUS CAS effort is identified after basic LOA implementation, that would constitute a change in scope – thus, an amendment to the LOA would be required. The new CAS rate, to include the OCONUS component, would apply as of the basic LOA implementation date. If necessary, DFAS will manually adjust the CAS accruals for any applicable progress payments occurring prior to amendment issuance. An amendment may immediately follow basic LOA implementation, which is less desirable than the OCONUS designation in the LOR, but is preferred to waiting until the execution phase already commenced. In any event, the procuring contracting officer (PCO) must confirm the existence of OCONUS to the performing activity and especially the FMS case manager. This process will be aided by ensuring that the FMS case identifier is clearly displayed in the contract line item number (CLIN). DSCA will explore whether the Defense Federal Acquisition Regulation Supplement (DFARS) should be revised to stress these relationships.

The OCONUS component requires special focus on the contracts being administered outside of CONUS. This influences specific cost drivers, particularly labor, personal services, personnel change of station (PCS) and facilities. Accordingly, the costs necessary to capture the OCONUS effort must reflect these intensified efforts.

Revised Rate Structure Methodology

Defense Security Assistance Management System (DSAMS) Changes

1. By 31 May 2002, the DSAMS shall incorporate a new Indirect Price Component (IPC) for OCONUS; this would result in a total of four CAS-related IPCs potentially applicable to a given LOA.
2. A standard note would be placed in the LOA that notifies the FMS purchaser as to the total CAS estimated. The CAS note shall include the rate, each CAS component that applies, and

each CAS component that does not apply (i.e., a waiver impacts the CAS for that LOA). Different sets of notes will be used for pre-FY03 and post-FY02 LOAs (based on basic LOA implementation date).

By 31 May 2002, two standard “boilerplate” notes will be programmed into DSAMS by each MILDEP as follows:

Standard Note 1: For any lines on this LOA document with a Source of Supply of ‘X’ or ‘P’, the Contract Administrative Surcharge (CAS) rates apply: for contract administration; ___%; for quality assurance and inspection, ___%; and for contract audit, ___%.

Standard Note 2: For any lines on this LOA document with a Source of Supply of ‘X’ or ‘P’, the Contract Administrative Surcharge (CAS) rates apply: for contract administration; ___%; for quality assurance and inspection, ___%; for contract audit, ___%; and for overseas CONUS, ___%.

If a CAS waiver does apply, either note should be expanded to include the following statement: “A waiver is authorized for the following CAS components: (fill in those that apply).”

3. For basic LOAs prepared before 1 Oct 2002 with an Offer Expiration Date (OED) on or after 1 Oct 2002, case writers are to use the Override Percent (OP) feature and load the revised rates as shown above.

For basic LOAs prepared after 1 Oct 2002, case writers are to use the new CAS rates that will be loaded into DSAMS by 31 May 2002.

For LOA amendments that introduce new lines on an LOA, which are prepared after 1 Oct 2002 for basic LOAs implemented prior to 1 Oct 2002, case writers are to use the OP feature and load the pre-FY03 rates shown above. This requirement will be necessary until DSAMS is reprogrammed to capture all CAS rate scenarios automatically.

Illustration of CAS Pricing Computation

Given current DIFS constraints, the total CAS surcharge would be assessed at the case level until DIFS can accommodate line-level CAS computations. An illustration follows:

Given: Case BN-Q-ABC

Basic LOA Implementation Date: 15 October 2002

Total LOA Articles/Services Value: \$100,000

Source of Supply = ‘P’ (Procurement) for all lines

No reciprocal agreement MOU exists with the FMS purchaser

CONUS CAS IPCs for contract admin and QA/inspection carry a .65 percent surcharge

CONUS CAS IPC for contract audit carries a .2 percent surcharge

OCONUS CAS IPC carries a .2 percent surcharge

CAS Pricing:	QA and Inspection	\$ 650.00
	Contract Audit	200.00
	Contract Admin	650.00
	Overseas CONUS	<u>200.00</u>
	Total CAS Applied	\$1,700.00

DFAS will load into DIFS a 1.7% CAS surcharge for the case. The 1.7% CAS would be assessed against the progress payments reported, as is done today. If OCONUS does not apply, that IPC is not factored into the CAS pricing for that LOA (and, in the preceding example, a 1.5% CAS surcharge would apply).

Benefits to FMS Purchasers:

1. Annual rate and rate structure validation allows for more flexible CAS reimbursement to CAS performing activities and CAS billing for customers to reflect values closer to actual costs.
2. Revised rate structure implements necessary realignment of percentages for CAS-related components, including OCONUS.
3. Allows for periodic validation of the CAS percentages applicable to each of the four FMS CAS categories/IPC's.
4. Provides improved detail to the FMS purchaser.
5. Precedence exists (i.e., FMS administrative) for varying percentage-based rates applicable to a specific FMS surcharge.
6. Allows for eventual migration to (a) CAS assessed at the line level (with no change to the methodology described above), and/or to (b) actual cost basis.

CAS RATE AND COUNTRY VALIDATION

Rate Validation

The FMS CAS surcharge rate shall be validated annually by DSCA Comptroller, and submitted to OUSD (Comptroller, DCFO, Finance and Management Policy) for approval. The annual validation will occur by 31 December of each year, and will include a review of the prior fiscal year's FMS CAS-related collections and expenditures (the latter by performing activity). The primary performing activities (DCMA and DCAA) will continue to provide documentation evidencing improved management efficiencies. For example, DCAA will continue to provide this information as part of the budget estimate/hourly reimbursable rate process previously established by DoD Comptroller. Alternatively, performing activities may document these improvements in response to DSCA's annual budget calls and development of the FMS CAS rate. Lastly, the annual DSCA Comptroller validation will include verifying the inventory of countries and international organizations for which a waiver of the FMS CAS applies either in whole or in part. DSCA Comptroller will include the performing activity's input into its rate validation assessment, solicit coordination from those activities on that assessment, and submit the package to OUSD (Comptroller/ODCFO/F&MP) for approval. This document identifies the current tables relating to the affected countries/international organizations. These updated tables will be reflected in the next Security Assistance Management Manual (SAMM, DoD 5105.38-M) revision.

Country/International Organization Rates

When CAS work is performed on FMS cases that have CAS waivers, the cost of the CAS efforts (contract audit; quality assurance and inspection; and contract administration services) shall be funded by any DoD appropriation having sufficient funds to absorb the cost of those efforts waived. Billings for actual costs shall not be submitted for reimbursement against the FMS CAS Surcharge Account. Countries, NATO projects or organizations and other CAS waiver agreements are illustrated in the following three tables. Additions, changes or deletions to the tables will be updated by the DSCA-Comptroller/FM after coordination with the DoD proponent organization.

Table 1 reflects a listing of approved reciprocal country agreements. The waiver under each reciprocal agreement applies only to new FMS LOAs with implementation dates, on or after the Effective Date of the reciprocal agreement and as recorded in DIFS. (Does not apply to individual LOA lines, contracts or amendments to LOAs. All systems should contain the same date as the reciprocal agreement and DIFS records.

APPROVED RECIPROCAL COUNTRY AGREEMENTS

Country	Effective Date	Cost Waived
Belgium (BE)	26 Apr 1983	Quality Assurance and Inspection
Canada (CN)	27 Jul 1956 1 Apr 1984	Contract Audit Quality Assurance and Inspection
Denmark (DE)	3 Apr 1985	Quality Assurance and Inspection
France (FR)	17 Jul 1981 23 Apr 1986 23 Apr 1986	Contract Audit Quality Assurance and Inspection Contract Administration Services
Germany (GY)	6 Dec 1983 6 Dec 1985	Quality Assurance and Inspection Contract Audit
Greece (GR)	23 Sep 1992	Quality Assurance and Inspection
Italy (IT)	7 Jan 1983	Quality Assurance and Inspection
Netherlands (NE)	9 Apr 1982 18 Apr 1985	Quality Assurance and Inspection Contract Audit
Norway (NO)	23 Nov 1986	Quality Assurance and Inspection
Spain (SP)	12 Jun 2000	Quality Assurance and Inspection
Turkey (TK)	12 Mar 2001	Quality Assurance and Inspection
United Kingdom (UK)	30 Oct 1979 30 Dec 1985	Contract Audit Quality Assurance and Inspection

The National Institute of Standards and Technology Codes : CA=Canada, DA=Denmark, GM=Germany and NL= Netherlands

Table 2
APPROVED AGREEMENTS/WAIVERS RELATIVE TO PARTICIPATING
GROUPS/ ORGANIZATIONS/PROJECTS.

Groups/ Organizations/ Projects	Effective Date	Cost Waived
<p>European Participating Governments (EPG):</p> <p>Follow-On Buy Country Codes= F1, F2, F3, F4 (Case Designator=SVI) & F4-SXC</p>	<p align="center">19 December 1980</p>	<p>Contract Audit Quality Assurance and Inspection</p>
<p>Mid-Life Update Production Phase Cases and new F-16 LOAs implemented on or after effective date. Country Codes= F1, F2, F3, F4 (Case Designator=NMP)</p> <p>PT (New F-16 LOAs implemented on or after the effective date)</p>	<p align="center">5 April 1993</p> <p align="center">21 June 2000</p>	<p>Contract Audit</p> <p>Contract Audit</p>
<p>The remainder of the F-16 LOAs for BE, DE, NE, & NO will get the CAS waivers that are reflected in the Country Code Table 1.</p>		
<p>United Kingdom Polaris Project (UZ)</p>	<p>OUSDC memo 27 Oct 1995 DoDGC memo 24 Oct 1995</p>	<p>Contract Audit Quality Assurance and Inspection Contract Administration Services</p>

Table 3

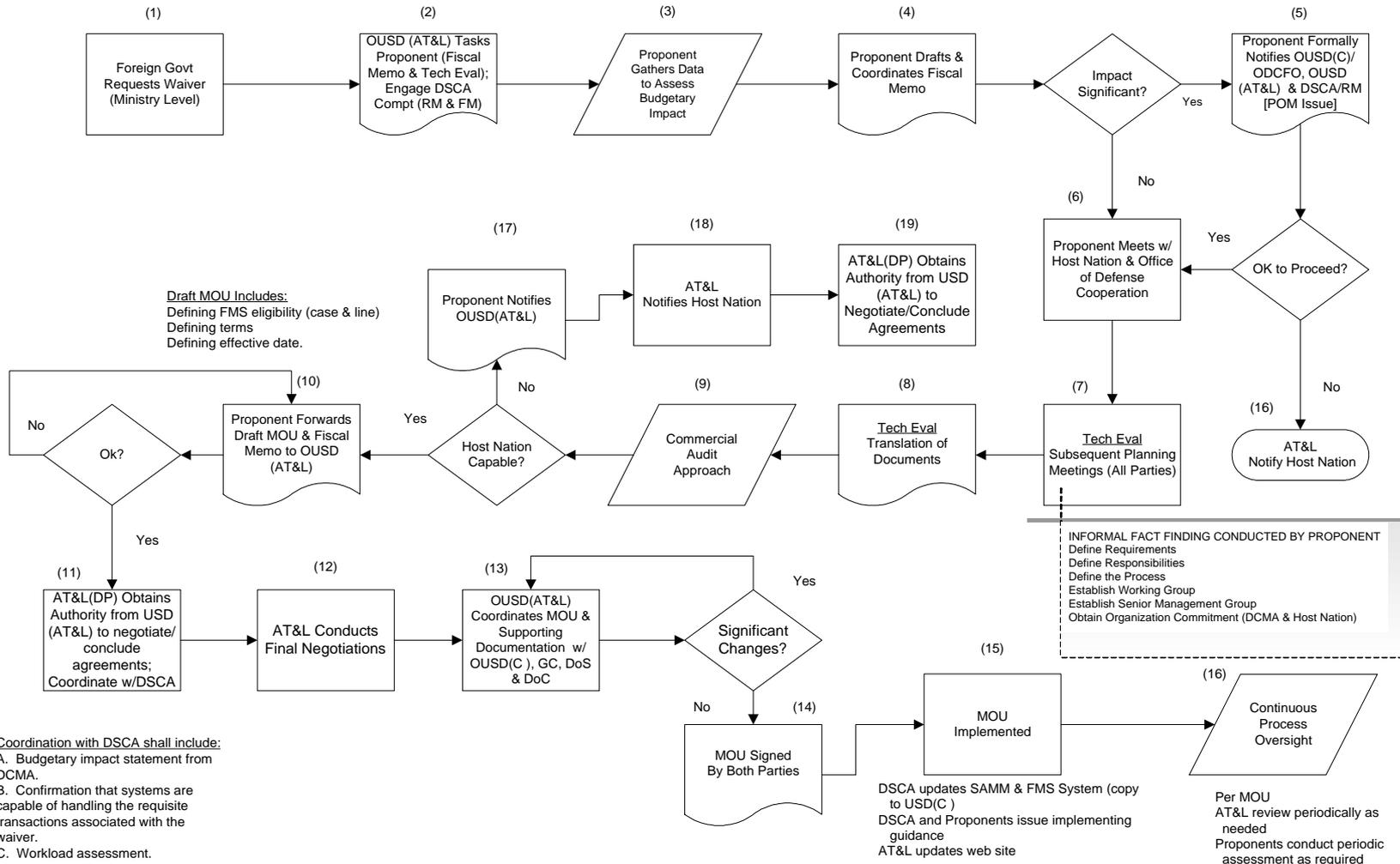
APPROVED NATO AGREEMENTS

This table will be furnished separately, once the FMS community determines the consensus architecture of the NATO Infrastructure programs.

CONTRACT ADMINISTRATIVE SERVICES (CAS) RECIPROCAL BILATERAL DEFENSE PROCUREMENT

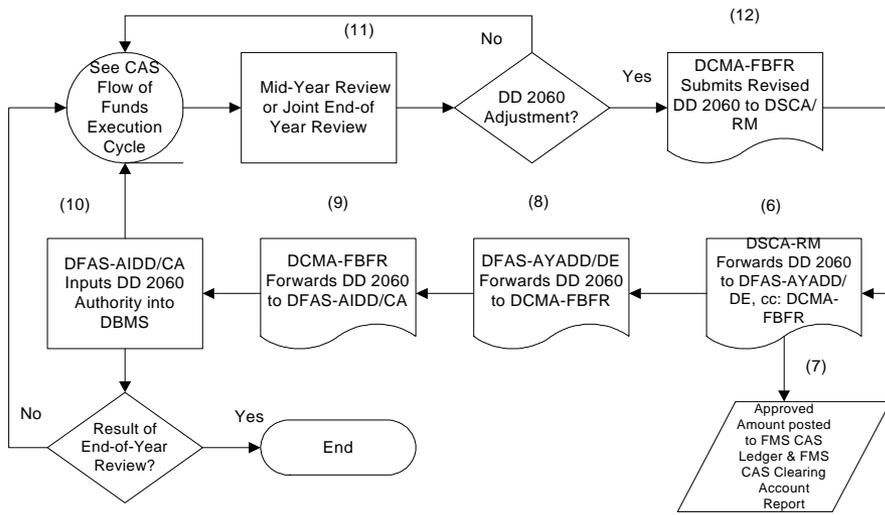
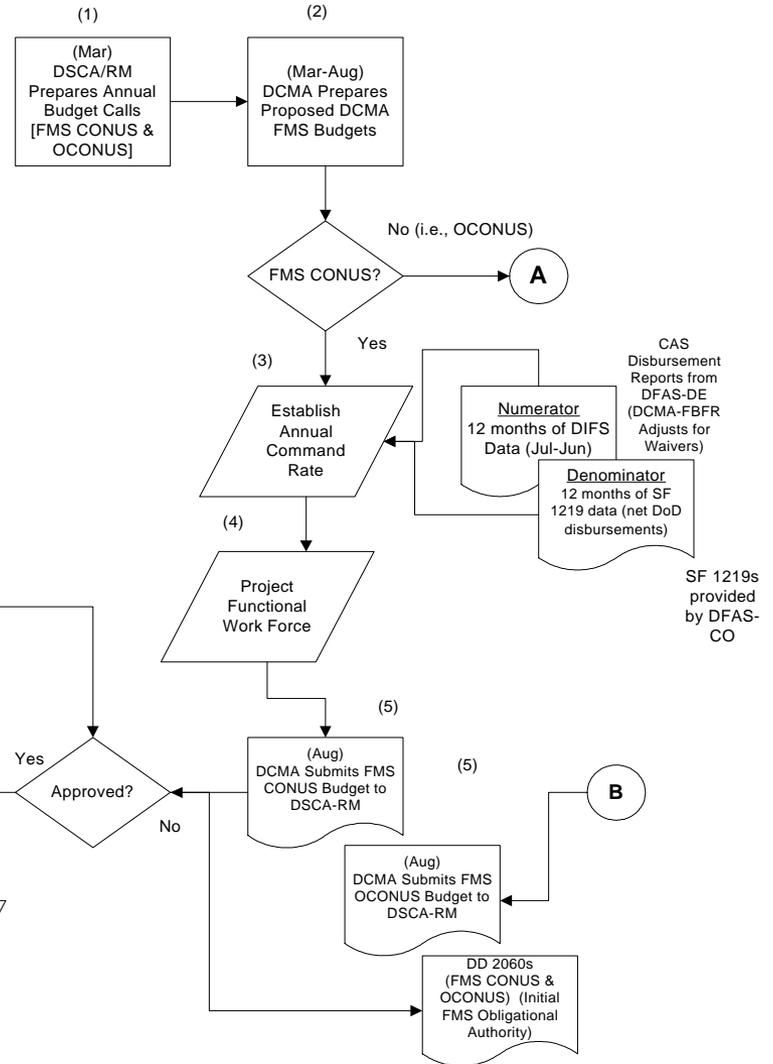
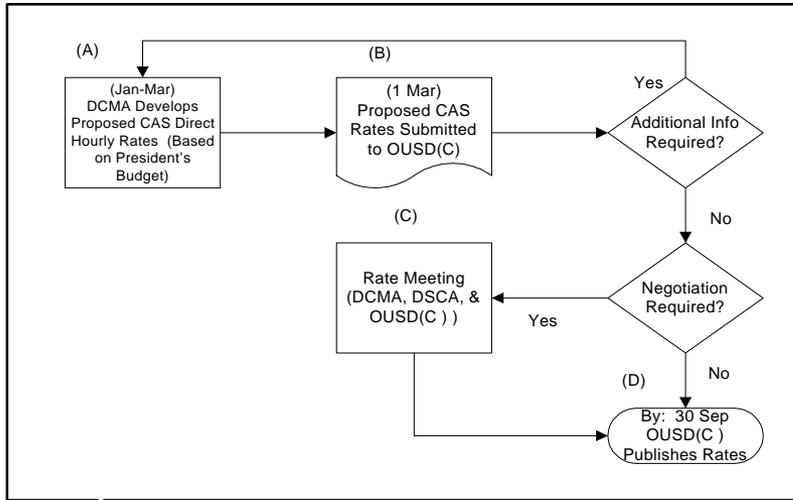
REVISED PROCESS

APRIL 2002

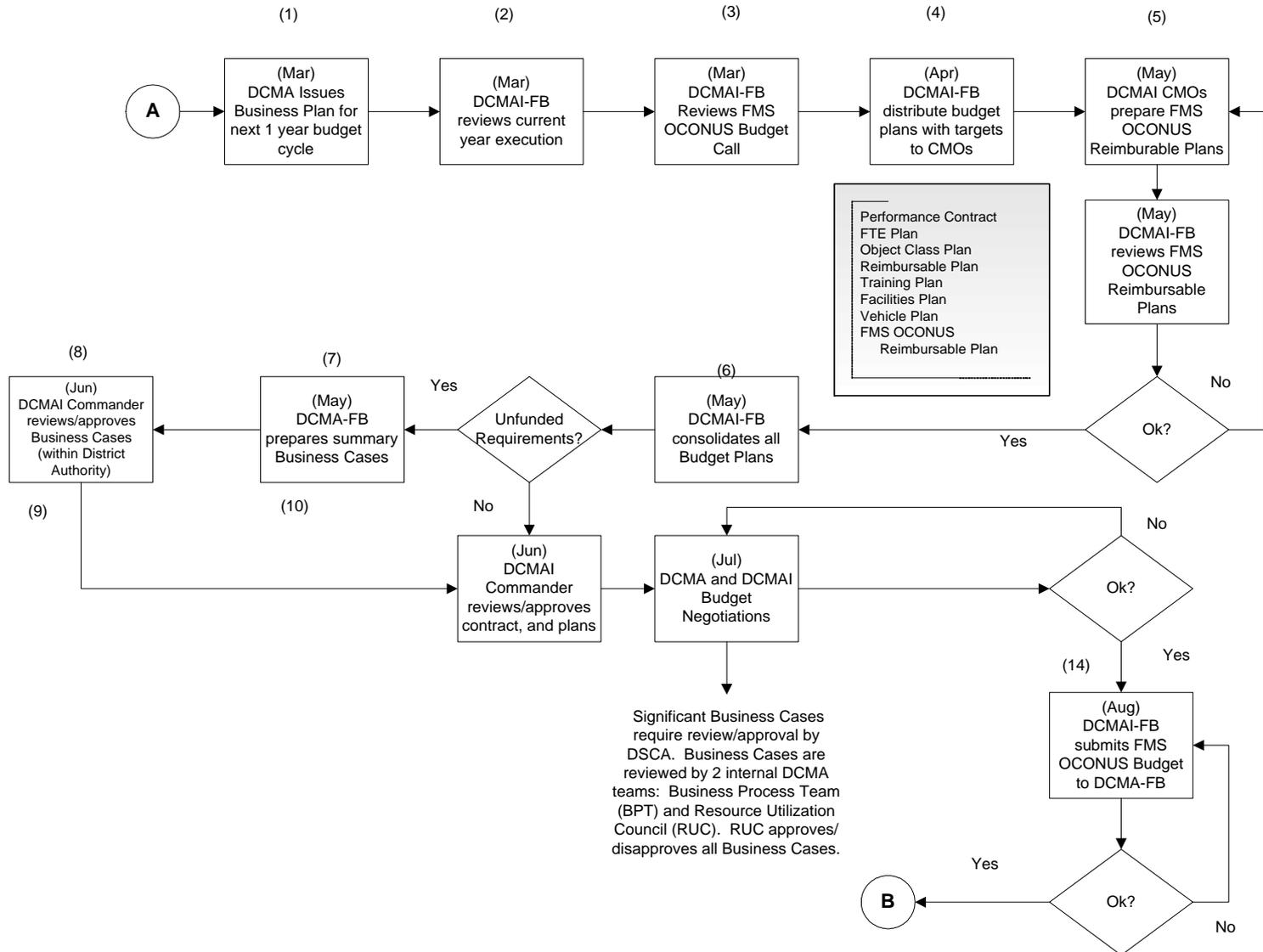


CONTRACT ADMINISTRATION SERVICES (CAS) BUDGET FORMULATION CYCLE (Page 1 of 2) REVISED PROCESS

APRIL 2002

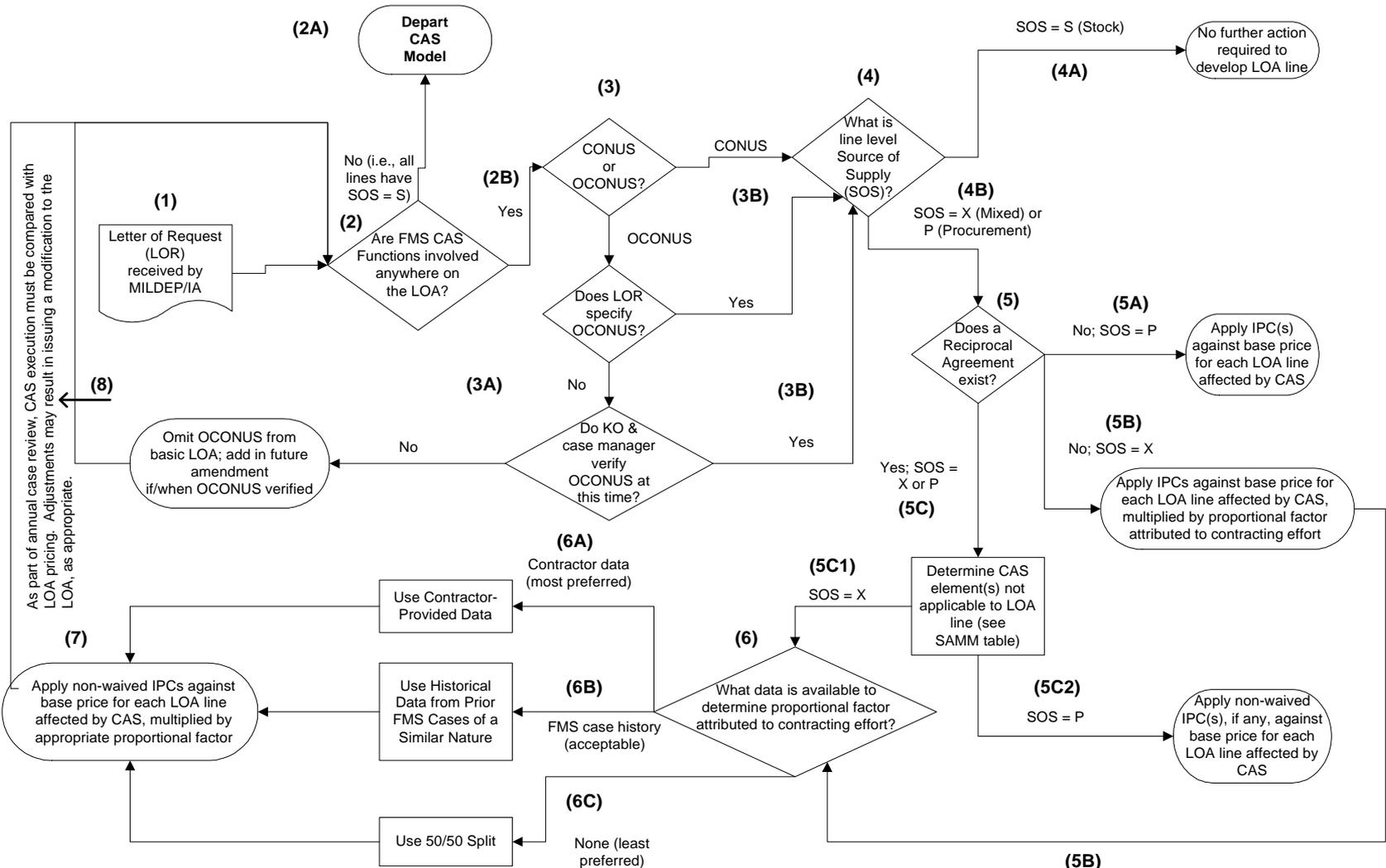


CONTRACT ADMINISTRATIVE SERVICES (CAS) BUDGET FORMULATION CYCLE (Page 2 of 2) REVISED PROCESS APRIL 2002



CONTRACT ADMINISTRATIVE SERVICES (CAS) LOA DEVELOPMENT CYCLE

REVISED PROCESS APRIL 2002



Note: References to "line" include both the LOA line and/or subline, as applicable.

FMS CAS BUSINESS RULES

FMS CAS LOA Development

The following LOA development business rules are emphasized:

- Whenever possible, the purchaser's desire to include OCONUS as part of an LOA should be specified in the Letter of Request (LOR).
- Efficient channels of communication amongst the procuring contracting officer, FMS case manager, and CAS performing activities (e.g., DCMA, DCAA) must exist, in part to verify in a timely manner the requirement for OCONUS CAS. This relationship is also critical to confirm the extent to which FMS CAS actually applies on LOA lines/sublines coded with a Source of Supply (SOS) of 'X' (mixed stock/procurement). **Chart 5.2** delineates the preferences for ascertaining the extent to which contractual actions apply to a given LOA line.
- CAS is not priced on the LOA if all LOA lines/sublines are coded with a SOS of 'S' (for stock).
- Care must be taken to appropriately assess (or not assess) CAS for each Indirect Pricing Component (IPC).

A new standard LOA note is required on all LOA documents, effective 1 Oct 2002. Refer to **Attachment 2** for additional information.

FMS CAS Execution

The following business rules are stressed:

- FMS CAS will continue to be assessed against progress payments and final deliveries – irrespective of the SOS assigned to a given LOA line.
- The progress payment and delivery transactions involve specific and unique delivery source codes, reimbursable codes, price codes and transaction types for the MILDEPs and DFAS. Care must be taken to ensure an accurate accounting of FMS CAS computations. Refer to **Chart 5.3**.
- The annual case review checklists developed by the MILDEPs/Implementing Agencies (IAs), which are based on DSCA policy memo 01-22 dated 19 September 2001, shall include a requirement to validate CAS pricing accuracy. This entails ensuring a linkage exists between actual CAS-related execution performance with the current CAS pricing profile as contained in DSAMS. The annual review may necessitate adjustments to the DSAMS CAS pricing structure and issuance of a corresponding LOA modification.

To the extent OCONUS is identified on or after the 1 October 2002 basic LOA implementation date, the MILDEP/IA shall be responsible for modifying the LOA. This entails (a) specifying the revised CAS rates in the LOA note and (b) case managers notifying their DFAS Denver counterparts in order for DFAS to manually adjust CAS accruals for any applicable progress payments reported prior to the inclusion of the OCONUS rate.

FMS CAS Account Payment Components

The following describes those efforts for which reimbursement from the FMS CAS account is authorized:

- Earnings to DCMA, DCAA and other CAS-performing activities for FMS CAS work.
- Military Pay to MILDEPs as regards FMS CAS duties performed by USG military personnel.
- Unfunded Civilian Retirement (UCR) is paid to the U.S. Treasury Miscellaneous Receipts account 3041 as regards UCR associated with USG civilian personnel performing FMS CAS duties.

Any transaction not in direct support of FMS CAS efforts shall not be paid from the FMS CAS account.

NOTE: MILDEPs include those offices not dedicated solely to FMS.

FMS CONTRACT ADMINISTRATIVE SURCHARGE (CAS) FUNCTIONS											
Federal Acquisition Regulation (FAR) Correlation Matrix											
FAR Function Identifier	FAR Function Description	CAS Category			Performing Activity					Comments	
		Contract Admin/Mgmt	QA & Inspection	Contract Audits	DCMA 1/	DCAA 1/	MILDEPs 2/	DFAS 3/	DSCA 3/		
42.101(a)(1)	Submit information and advice to the requesting activity, based on the auditor's analysis of the contractor's financial and accounting records or other related data as to the acceptability of the contractor's incurred and estimated costs.			X		X					
42.101(a)(2)	Review the financial and accounting aspects of the contractor's cost control systems.			X		X					
42.101(a)(3)	Perform other analyses and reviews that require access to the contractor's financial and accounting records supporting proposed and incurred costs.			X		X					
42.302(a)(3)	Conduct post-award orientation conferences (PAOCs).	X	X		X		X				MILDEPs (procuring contracting officer (PCO)); DCMA (administrative contracting officer (ACO): receive/distribute/review contract; establish official contract file; analyze contract and assess risk; arrange PAOC; prepare Minutes/action items; identify support requirements; negotiate MOA/prepare support plan).
42.302(a)(4)	Review and evaluate contractors' proposals under Subpart 15.4 and, when negotiation will be accomplished by the contracting officer, furnish comments and recommendations to that officer.	X			X		X				DCMA: participate on IPT pricing team; reach agreement on overall team plan; discuss proposal with contractor; document objectives; negotiate with contractor to resolve remaining issues; prepare price negotiation memorandum; receive request for pricing assistance; receive approval of price negotiation; review/analyze contractor's proposal. MILDEPs: This is a primary function of the PCO.
42.302(a)(9)	Establish final indirect cost rates and billing rates for those contractors meeting the criteria for contracting officer determination in Subpart 42.7.			X		X	X				MILDEPs (submitting bills for final rates); DCAA (performing final overhead rate audits).

NOTES:

1/ CAS account funded.

2/ CAS account funded (if solely for CAS); FMS admin/case funded (if supporting FMS case).

3/ FMS admin funded.

NOTE: MILDEPs include those offices not dedicated solely to FMS.

FAR Function Identifier	FAR Function Description	CAS Category			Performing Activity					Comments
		Contract Admin/Mgmt	QA & Inspection	Contract Audits	DCMA 1/	DCAA 1/	MILDEPs 2/	DFAS 3/	DSCA 3/	
42.302(a)(12)	Review and approve or disapprove the contractor's requests for payments under the progress payments or performance-based payments clauses.	X			X		X	X		MILDEPs (PCO); DFAS (payments for proper invoices); DCMA (ACO).
42.302(a)(13)	Make payments on assigned contracts when prescribed in agency acquisition regulations.	X						X		
42.302(a)(14)	Manage special bank accounts.	X						X		
42.302(a)(15)	Ensure timely notification by the contractor of any anticipated overrun or underrun of the estimated cost under cost-reimbursement contracts.	X					X			
42.302(a)(17)	Analyze quarterly limitation on payments statements and recover overpayments from the contractor.							X		
42.302(a)(24)	Negotiate and execute contractual documents settling cancellation charges under multi-year contracts.						X			
42.302(a)(27)	Approve contractor acquisition or fabrication of special test equipment under the clause at 52.245-18, Special Test Equipment.	X					X			
42.302(a)(30)	In facilities contracts: evaluate contractors requests for facilities; ensure required screening of facility items; approve use of facilities; ensure payment by contractor of any rental due; and ensure reporting of items no longer needed for USG production.	X	X				X			
42.302(a)(31)	Perform production support, surveillance, and status reporting, including timely reporting of potential and actual slippages in contract delivery schedules.	X			X		X			MILDEPs: PCO; DCMA: ACO.
42.302(a)(38)	Ensure contractor compliance with contractual quality assurance requirements.		X		X		X			DCMA: review contract and identify customer requirements; perform risk assessment; develop risk handling plan and monitor risks; notify of actual/potential delays; document risk; monitor completion of production actions. MILDEPs: May involve a contracting officer's representative.
42.302(a)(40)	Perform engineering surveillance to assess compliance with contractor terms for schedule, cost, and technical performance in the areas of design, development and production.		X				X			

NOTES:

1/ CAS account funded.

2/ CAS account funded (if solely for CAS); FMS admin/case funded (if supporting FMS case).

3/ FMS admin funded.

NOTE: MILDEPs include those offices not dedicated solely to FMS.

FAR Function Identifier	FAR Function Description	CAS Category			Performing Activity					Comments
		Contract Admin/Mgmt	QA & Inspection	Contract Audits	DCMA 1/	DCAA 1/	MILDEPs 2/	DFAS 3/	DSCA 3/	
42.302(a)(41)	Evaluate for adequacy and perform surveillance of contractor engineering efforts and management systems that relate to design, development, production, engineering changes, subcontractors, tests, management of engineering resources, reliability and maintainability, data control systems, configuration management, and independent R&D.		X				X			DCMA: Review contract; provide input; identify key processes; identify required outcomes of processes and associated metrics; perform risk assessment; develop and implement risk handling plan; maintain risk documentation record.
42.302(a)(42)	Review and evaluate for technical adequacy the contractor's logistics support, maintenance and modification programs.	X					X			
42.302(a)(43)	Report to the contracting office any inadequacies noted in specifications.	X					X			
42.302(a)(44)	Perform engineering analyses of contractor cost proposals.	X					X			
42.302(a)(45)	Review and analyze contractor-proposed engineering and design studies and submit comments and recommendations to the contracting office, as required.	X					X			
42.302(a)(46)	Review engineering change proposals for proper classification, and when required, for need, technical adequacy of design, productibility, and impact on quality, reliability, schedule and cost; submit comments to the contracting office.	X					X			
42.302(a)(49)	Monitor the contractor's value engineering program.		X				X			
42.302(a)(58)	Ensure timely submission of required reports.	X			X		X			MILDEPs: PCO; DCMA: ACO.
42.302(a)(64)	Negotiate and execute one-time supplemental agreements providing for the extension of contract delivery schedules up to 90 days on contracts with an assigned Criticality Designator of C (see 42.1105). Notification that the contract delivery schedule is being extended shall be provided to the contracting office. Subsequent extensions on any individual contract shall be authorized only upon concurrence of the contracting office.	X					X			

NOTES:

1/ CAS account funded.

2/ CAS account funded (if solely for CAS); FMS admin/case funded (if supporting FMS case).

3/ FMS admin funded.

NOTE: MILDEPs include those offices not dedicated solely to FMS.

FAR Function Identifier	FAR Function Description	CAS Category			Performing Activity					Comments
		Contract Admin/Mgmt	QA & Inspection	Contract Audits	DCMA 1/	DCAA 1/	MILDEPs 2/	DFAS 3/	DSCA 3/	
42.302(a)(65)	Accomplish administrative closeout procedures (see 4.804-5).	X			X		X			MILDEPs: PCO and FMS case manager, responsible for reconciling case records with underlying contracts; DCMA: ACO responsible for maintaining accurate contract administrative records (e.g., MOCAS); review contract closeout records; commence specialized closeout activities; administer final payment/closeout actions; prepare contract completion statement.
42.302(a)(67)	Support the program, product and project offices regarding program reviews, program status, program performance and actual or anticipated program problems.	X	X		X		X			MILDEPs: PCO; DCMA: Develop and execute program plan; prepare program status reports and charts; provide program integration; maintain program integration data.
42.302(a)(69)	Administer commercial financing provisions and monitor contractor security to ensure its continued adequacy to cover outstanding payments, when on-site review is required.	X					X			
42.302(a)(70)	Deobligate excess funds after final price determination.	X			X		X			MILDEPs: PCO; DCMA: ACO. Both are authorized to deobligate funds.

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