DEFENSE SYSTEMS
MANAGEMENT COLLEGE

PROGRAM MANAGEMENT COURSE
INDIVIDUAL STUDY PROGRAM

VICTOR J. GONZALEZ
LTC USA

FORT BELVOIR, VIRGINIA 22060

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**HLO 036**
STUDY TITLE:
CONTRACT ADMINISTRATION - GO/CO FACILITY

STUDY PROJECT GOALS:
To describe and discuss the basic roles, relationships and organizations of the various government agencies involved in the administration of contracts for the Army's complex of government owned contractor operated (GO/CO) ammunition plants.

STUDY REPORT ABSTRACT:
The purpose of this paper is to describe and discuss the administration of contracts for the Army's complex of government owned contractor operated (GO/CO) ammunition plants. The scope is limited to the basic roles, relationships and organizations of the various government agencies involved with this effort, with particular emphasis on the Plant Commander - contractor relationship.

The report first provides a historical background on this plant complex and some essential data on its present status. Next, is a discussion of the basic roles and organizations of the two key government agencies involved in the contract administration effort - Headquarters U.S. Army Armament Command and the Plant's staff.

The report concludes with an examination of the relationship between the Plant Commander and the plant's operating contractor.

KEY WORDS: 1. CONTRACT ADMINISTRATION
2. GOVERNMENT OWNED CONTRACTOR OPERATED PLANT

NAME, RANK, SERVICE  CLASS  DATE
Victor J. Gonzalez, Lt. USA  DMG 76-2  1 Nov. 76.
This study project report represents the views, conclusions and recommendations of the author and does not necessarily reflect the official opinion of the Defense Systems Management School or the Department of Defense.
EXECUTIVE SUMMARY

The purpose of this paper is to describe and discuss the administration of contracts for the Army's complex of government owned contractor operated (GOCO) ammunition plants. The paper's scope is limited to the basic roles, relationships and organizations of the various government agencies involved in this effort, with particular emphasis on the Plant Commander - contractor relationship.

The Army's complex of plants were constructed at the start of World War II. Presently, there are 24 plants in this complex, 12 active and 12 inactive. These plants are subordinate commands of the U.S. Army Armament Command (ARCOM).

Contract administration is that effort performed by the government to assure that a contractor performs in accordance with the terms and conditions of the contract. The required effort is performed by both the government staff located at each plant and the HQ's ARCOM staff.

While Contracting Officer is the key individual with the staff for all contractual matters, many other staff elements are involved in the contract administration effort. Within their functional area, these elements deal directly with the plant's government staffs. However, the Contracting Officer is the only staff member allowed to make changes to the plants' contracts.

At each plant two individuals, the Plant Commander and the Civilian Operations Officer, are appointed as Contracting
Office of Representatives (COR's). The COR has all the authority of the Contracting Officer to administer the contract except that he may not execute or agree to any modification to the contract. The majority of the contract administration function are performed by the COR.

A vital key to the successful operation of a GOCO plant is the maintenance of a good working relationship between the Commander/COR and the operating contractor. It is inevitable that conflict will arise between these parties. This conflict should be recognized as a healthy force which, if employed properly, will further the goals of the contract and mission of the plant. A cooperative spirit between the parties is necessary to properly direct and employ this conflict.
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I INTRODUCTION

First built during World War II, the Army's complex of government owned contractor operated (GOCO) ammunition plant has successfully supplied this country's ammunition needs for three major wars. The general purpose of this paper is to describe and discuss the administration of contracts for this unique blend of government and civilian industry. The scope of this discussion is limited to the basic roles, relationships and organizations of the various government agencies involved in this effort, with particular emphasis on the Plant Commander - contractor relationship.

My primary source of information is my recent experience, from June 1974 to June 1976, as the Commander of the Holston Army Ammunition Plant. This plant, located in Kingsport, Tennessee, is this country's largest explosive plant and is its only source of RDX/HMX based explosives. The operating contractor for this plant, unchanged since the plant's conception in 1940, is the Holston Defense Corporation, a subsidiary of the Eastman Kodak Company.

All Army GOCO ammunition plants are subordinate commands of U.S. Army Armament Command (ARMCOM). Presently, ARMCOM headquarters is undergoing a major reorganization. It is unlikely that the basic contract administration roles and responsibilities discussed in this paper will be altered by this reorganization.
Contained in this paper are any data on the present status of plant operations, strengths and contracts. Unless otherwise stated, these data were obtained from the Plant Operations Directorate of ARMCOM headquarters and are current as of August 1976.
II BACKGROUND

"Massed fire power on the scale employed during World War II was utterly beyond the capability of the U.S. Army in the summer of 1940, or even as late as the summer of 1941. The stocks of ammunition on hand in 1940 were so meager that, in the words of Secretary of the War Stevenson, "We didn't have enough powder in the whole United States to last the men we now (1943) have overseas for anything like a day's fighting.' Worse still, only a handful of small plants were making propellant powder and high explosives, and there were virtually no facilities for mass loading and assembling of heavy ammunition." (1:104-105)

To meet this situation, the Ordnance Department in the summer of 1940 created a new procurement system, the government owned contractor operated (GOCO) plant. More than 60 of these plants were constructed between June 1940 and December 1942. These plants were built at a capital investment of about $3 billion and employed nearly a quarter of a million workers during World War II. The type of contract initially signed with the operating contractors of these plants was a cost-plus-fixed-fee (CPFF) contract. The fixed-fee, rather then being a fixed sum, was a unit fixed-fee based on the number of rounds of ammunition or pounds of explosives produced. (1:104-153)

After World War II the production base was reduced to 37 plants, 14 active and 23 inactive. During the Korean War all 37 plants were placed in an active status. At the end of the Korean War the production base was further reduced to 27 plants. For the Vietnam War, 24 plants were operated. (2:A-9)

Figure 1 shows the present status of these plants by manufacturing type.
<table>
<thead>
<tr>
<th>Type Plant/Contract Type</th>
<th>FE</th>
<th>MP</th>
<th>LAP</th>
<th>SA</th>
<th>PE/LAP</th>
<th>LAP/MP</th>
<th>TOTAL</th>
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<tbody>
<tr>
<td>FP</td>
<td>1</td>
<td>1</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>3</td>
</tr>
</tbody>
</table>

Figure 2. Contract Types

At the height of the Vietnam War the plants employed some 2100 government and some 119,000 contractor personnel. As of August 1976, these numbers were reduced to 780 government and 15,110 contractor personnel. (2:A-15)

The present contract types employed at the active plants are shown in Figure 2.
Operating contractors for the plants are selected through competition. Because of the inherent complexity of operating these plants, contractor competition is normally only conducted if the present contractor's performance is poor; if an impass is reached during negotiations for contract extension; or if the contractor does not desire to extend the contract. (2:25)

Changes in operating contractors are made very infrequently as can be seen in Figure 3 which shows the number of continuous years the present contractors have been operating the present active plants.

<table>
<thead>
<tr>
<th>Number of continuous years with plant</th>
<th>Number of contractors</th>
</tr>
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<tbody>
<tr>
<td>10 or less</td>
<td>3</td>
</tr>
<tr>
<td>11 to 20</td>
<td>4</td>
</tr>
<tr>
<td>21 or more</td>
<td>5</td>
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</table>

Figure 3. Length of Contractor Operations

The plants have undergone a number of minor upgradings between World War II and the Vietnam War. Presently, they are involved in a major 25-year modernization program budgeted at over 5 billion dollars.
III CONTRACT ADMINISTRATION - GENERAL

Contract administration can be generally described as that effort performed by the government to assure that a contractor performs in accordance with the terms and conditions of the contract. A listing of some of the various contract administration functions is shown at Appendix A, an extract from Section 1 - 406 of the Armed Services Procurement Regulations. Most of these functions can be grouped into the following general categories.

1. Review, monitor and evaluate contractor operations.
2. Evaluate contract changes.
3. Negotiate contract changes.
4. Approve contract changes.
5. Perform government services in support of the contract such as quality assurance, property administration, traffic management, contractor payment, etc.

ARMCOM is responsible for the administration of the Army's GOCO ammunition plant contracts. The required contract administration functions are performed by both the government staff located at each plant and elements of the ARMCOM headquarters staff. The plant's government staff is provided with all authorities of an Administering Contracting Officer less the authority to approve changes to the contract which is retained by HQ's ARMCOM. Figure 4 provides estimates of where each of the general categories of contract administration functions are performed.
"Others" include government agencies outside of ARMCOM and consists mainly of other Development and Readiness Command agencies.

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage performed by</th>
<th></th>
<th></th>
<th>Others</th>
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<tr>
<td></td>
<td>Plant</td>
<td>Headquarters</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>85</td>
<td>10</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>70</td>
<td>30</td>
<td></td>
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<tr>
<td>3</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>90</td>
<td>10</td>
<td></td>
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</tbody>
</table>

Figure 4. Performance of Contract Administration Functions
IV  HQ's ARMCOM (ROLES, RESPONSIBILITIES, ORGANIZATION)

While the Contracting Officer is the key individual within HQ's ARMCOM for all plant contractual matters, many other headquarter elements have important functions involving the administration of contracts between the government and the plants' operating contractors. Figure 5 shows those prime headquarter's elements involved in this contract administration effort.

As subordinate commands of ARMCOM the plants are under command authority of the CG, ARMCOM. A special Deputy Commanding General for Procurement and Production is charged with the responsibility for the entire ammunition production effort. This deputy is also the Director for Procurement and Production. This arrangement, in essence, places the plants under operation control of this special deputy. In addition, this deputy is the rating officer for all Plant Commanders.

The Plant Operations Directorate, under the operational control of this special deputy, is responsible for the overall monitoring of plant activities and for providing broad guidance and policy for the operations of the plants. This directorate does not normally get involved in day-to-day plant operations or contract administration, except for occasional expediting of actions within the headquarters or between the plants. Problems which cannot be resolved between the plants and other headquarter's elements are referred to this directorate for
Figure 5. Prime Elements - Contract Administration
resolution.

The most important of these directorates in the area of contract administration is the Procurement and Production Directorate. Located within this directorate are the Contracting Officers for the plants. Normally one contracting officer is assigned for two or more plants. He is assisted by a number of contracting specialists. Usually one or more of the specialist/assigned to a single plant. Key functions performed by this directorate include determining types of contracts, approving contract changes, performing fee negotiations, workloading plants and obligating funds to the contracts.

Other HQ ARRCOM elements involved in contract administration include -

- The Comptroller
- Safety Office
- Security Office
- Installation and Services Directorate
- Transportation & Traffic Management Directorate
- Product Assurance Directorate

The headquarter's elements are authorized to directly communicate with the government staffs at the plants for matters within their assigned functional areas. Exempt from this direct communications policy are those items which may produce a change to the plants' contracts. All changes to the contracts must be approved by the Contracting Officer.

Both specific and general on-site reviews of the plant
and contractor operations are conducted by HQ's ARMCOM.

Specific reviews are conducted in such areas as safety, security, property administration, and work measurement. These are conducted by the headquarter's element which has the assigned functional responsibility for that area. Other specific reviews are conducted by government agencies outside of ARMCOM in such areas as radiological safety, communications and fuel storage.

Two on-site general reviews are performed by HQ's ARMCOM - the Industrial Management Review (IMR) and the Should Cost Analysis. The IMR is conducted annually by a team composed primarily of personnel from the Plant Operations Directorate. The basic purpose of this review is to evaluate the overall performance of the plant and make recommendations for improving that performance. The operations of the plant's government staff as well as those of the operating contractor are reviewed by the IMR team.

While most cost proposals submitted by the operating contractor are evaluated and negotiated by the government plant staff, occasionally a Should Cost Team is designated to conduct an on-site analysis of contract costs. At the completion of this analysis new costs, fee and contractual clause changes are negotiated with the contractor.

These specific and general reviews are supplemented by staff visits by key personnel from the headquarter's staff. The outcome of these reviews and visits are recommendations.
which require actions to be taken by either the operating con-
tractor, the plant's government staff, the Contracting Officer
or the headquarter's staff.

The requirement for the operating contractor to take
corrective actions is not sent directly to the operating con-
tractor. Rather, it is sent to the plant's government staff.
The staff, after reviewing the recommended action to insure
it is necessary, appropriate and within the bounds of the
contract, directs the contractor to take the required action.
The contract administration effort at the plant consists of the Commander, the Contracting Officer’s Representative (COR), the COR staff, and a Defense Contract Audit Agency (DCAA) office. The Commander, normally a Lieutenant Colonel, is charged with the responsibility for accomplishing the plant’s assigned mission. Commanders are centrally selected by a Department of Army command selection board and are assigned to a plant for a 24 month tour.

At each plant two individuals, the Plant Commander and the Civilian Operations Officer, are specifically appointed as COR’s. The Civilian Operations Officer, usually a GS-13, is the highest ranking civilian position at the plant.

The COR’s receive their appointment in writing from the Contracting Officer. An example of such an appointment is shown at Appendix B. The appointment provides the COR with the legal authority to administer the contract and provide direction to the operating contractor.

"A COR has all the authority of the contracting officer except that he may not execute or agree to any modification to the contract. He is obliged to follow the contract as it is written and must interpret the contract and directives pertaining to the contract." (4:2-4)
The primary function of the COR staff is to assist the COR in the administration of the contract. A typical COR staff organization structure is shown in Figure 6. Actual structures and sizes of the COR staffs will vary among the plants depending upon the needs and current activities of the individual plant. The largest variations in size among the plants is in the sizes of the Quality Assurance Divisions. Figure 7 shows the present size ranges of the COR staffs at the active plants.

<table>
<thead>
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<td>2</td>
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Figure 7. Size of COR Staffs

While not officially a part of the COR staff, the DCAA office can for all practical purposes be considered an unofficial extension of the COR staff. The COR and the DCAA auditors are required to work together to perform audits which are either initiated by the DCAA auditors or the COR.

The majority of the contract administration effort required for the administration of G&CO plant contracts is performed at the plant by the COR. At Appendix C is a listing of
Figure 6. Typical COR Staff Organization
the minimum contract administration functions for which the COR is responsible.

Although the COR is expressly forbidden from making changes to the contract, these changes are evaluated by the COR prior to the approval by the Contracting Officer. The related changes in cost are normally negotiated by the COR. All fee negotiations are conducted by the Contracting Officer with assistance provided by the COR.

With few exceptions, all actions required by the plant are directed to the Plant Commander. If these directed actions require effort by the operating contractor, the Plant Commander in his capacity as COR directs the operating contractor to perform the necessary tasks. The few exceptions are those occasional actions which are directly communicated from the Contracting Officer to the operating contractor. Normally one individual, the operating contractor's Plant Manager, is authorized to receive and accept responsibility for performing these directed actions. No other government officials other than the Contracting Officer and the COR are authorized to direct actions of the operating contractor.

One of the most important COR functions is to perform a continuous review and evaluation of the contractor's performance. Minimum schedules of reviews and evaluations are required by the A&FR and ARMCOM directives. However, the majority of these reviews and evaluations are initiated and scheduled by the COR. Reviewing consists of both examining...
contractor documentation and observing contractor operations.

Results from these reviews and evaluations are provided to the operating contractor by the COR. Depending upon the actual nature of the results, recommendations, requests, or directives for change are either informally discussed with the Plant Manager or formally transmitted to him for required action.

Another important function performed by the COR is to receive all requests for government action from the contractor. Those requests which cannot be satisfied directly by the COR must be submitted by the COR to the proper government agency, normally HQ's ARMCOM, for action. In the performance of this function, the COR must assume the role as an intermediary between the contractor and a particular functional element within HQ's ARMCOM. As such, he must insure that the particular staff elements act upon the contractor's request in a sound and timely manner.
VI COMMANDER - CONTRACTOR RELATIONSHIPS

Three elements are key to the successful operation of a GOCO plant — the proper selection of an operating contractor; the proper selection of a Commander; and the maintenance of the good working relationship between the government and the operating contractor. The basic and most important relationship between the government and the operating contractor is the direct interface between the Plant Commander and the contractor.

The Plant Commander has a dual responsibility. As Commander he is directly responsible for accomplishing the plant’s mission. As a COR he is responsible for the administration of the plant’s contract. Since all plant operations are performed by the operating contractor the Commander is, in the final analysis, strictly dependent upon the operating contractor for the effective and efficient performance of the plant’s mission. The contract is the key vehicle through the Commander and the operating contractor interact in the performance of the mission. Therefore, while the Commander may be fully responsible for the performance plant’s mission his authorities are limited by the terms of the contract and the Armed Services Procurement Regulations. An important aspect of this limitation is stated in the ARMACOM Plant Commander/Contracting Officer’s Representative Operations Guide.
"The Contractor should be free to make his own decisions under the monitorship of the COR. The COR must recognize that a private contractor's procedures for "getting a job done" may not coincide with those of the Government. This policy should be conveyed to the Government staff. The Armed Services Board of Contract appeals philosophy should guide COR actions.

The following is an excerpt from the Armed Service Board of Contract Appeals, decision 6CCP 61801: When the Government enters into a cost-plus-fixed-fee, cost-plus-incentive-fee, or cost-plus-awarded-fee contract with a Contractor, the Government engages the knowledge, the skill, the judgment, and the capabilities of the Contractor to perform the contract. It is the Contractor's right, as well as his duty, to use all of those qualifications to employ men and women who will comprise his 'team' to perform the contract, to buy materials, and to use his discretion, not that of the Contracting Officer, in carrying out all of the factors involved in the performance of the contract. The Contracting Officer's function is not that of a boss over the contractor, telling him what he can and cannot buy, whom he shall employ, and how much he is allowed to pay employees. True, the contract bestows upon the contracting officer the authority to disapprove for reimbursement the costs involved in the contractor's performance, but unless he is able to demonstrate that the contractor's acts, or the costs he incurs, violate the terms of the contract or the guides found in Part 2 of Section XV of the ACFR, it is the contracting officer's duty to approve the contractor's acts and to approve the costs thereof for reimbursement."

(4:2-k)

This philosophy does provide sound general guidance for contract administration. Adherence to this philosophy will not, however, prevent or solve the numerous and frequent disagreements which arise between the commander and the contractor during the execution of the contract.

The Commander, as the contract administrator, must make continuing determinations that the contractor's methods will provide for efficient and effective plant operations. If a determination is made that the contractor must change his operations in order to improve efficiency or effectiveness,
the Commander must attempt to get the contractor to make this change. The Commander's recommendation or direction for change may not always be accepted by the operating contractor. The denial of cost reimbursement, however, is not normally employed to force this change until other methods available to the Commander to affect this change have failed. These other methods include suggestion, guidance, problem solving and negotiation. A prerequisite for the employment of these methods is that a good working relationship be established and maintained between the Commander and the operating contractor.

The strong dependency on the contractor for the accomplishment of the plant's mission would suggest a cooperative type of relationship be established. On the other hand, the contract administrator duties of the Commander would seem to suggest an adversary type of relationship. The choice of the proper type of relationship at or between these extremes is a dilemma for both the Commander and the contractor. This dilemma is not unique to GOCO plant operations. It prevails throughout the total area of government contract administration.

John T. Bennet, in his dissertation on Congressional criticism and concern of systems acquisition, offers the following views.

"Contract administration is seen by many critics as one of the weakest links in DOD's control over system acquisition. Committee criticism and concern in this area appeared to be entered on three aspects:

1. DOD organizations operating in contractor plants have not carried out aggressive and effective contract administration."
2. As a result, DOD does not have adequate surveillance over major contractor operations.

3. In turn, major contractors have not performed sub-contract administration sufficiently to protect the Federal Government's interest." (5:171-172)

In this same dissertation, Bennett provides the following statements concerning controls over contractor operations.

"Overregulation and overadministration in the DOD systems acquisition process are readily apparent. Of concern to Congress, during the period under study, was the problem of control, particularly over contractor operations and control." (5:202)

"The end result of over control is that functions normally a prerogative of contractor management have and continue to be taken over directly and indirectly by DOD." (5:204)

This dilemma is sometimes viewed as a conflict between government and contractor controls, responsibilities, authorities and prerogatives. This conflict has always existed and will always exist in contract administrator-contractor relationships. It should not, however, be viewed as a destructive force but rather as a healthy force required for the effective accomplishment of the plant's mission.

Stephen Robbins, in his book, "Managing Organizational Conflict", expresses a similar conclusion -

"...But the goal of management is not harmony and cooperation -- it is effective goal attainment! Elimination of conflict is not realistic in complex organizations, nor would such elimination be desirable .... More organizations are dying from complacency and apathy than are dying from an overabundance of conflict." (6:19)

A good working relationship between the contract administrator and contractor is one which recognizes this inherent conflict; and uses this conflict to further the goal of the
contract. The conflict, however, should not degenerate into an academic battle of theoretical authorities, responsibilities and prerogatives but as a real battle with the objective of deciding and executing the best course of action in a given situation for advancing the efficient and effective operations of the plant. The relationship must provide for the maximum flow of communications so that the fact and assumptions involved in all issues are uncovered and thoroughly discussed between the parties.

This conflict does not, in itself, destroy cooperation.

"Many practitioners perceive cooperation as being the opposite of conflict. They have traditionally sought the former and attempted to eliminate the latter....the two concepts exist on separate continuums. The opposite of conflict is no conflict and the opposite of cooperation is no cooperation. The strength of this view becomes clear when it is emphasized that the elimination of conflict does not assure cooperation, nor does the loss of cooperation imply the occurrence of conflict....attempts to reduce conflict utilize techniques that increase cooperation, but the elimination of one does not create the other. ....When cooperation exists to the extent of absence of conflict, it is usually associated with the avoidance of change and the continuation of outmoded forms of action. Therefore, we can literally conceive of an organization cooperating itself to death." (6:27-28)

Cooperation is required to properly resolve conflicts which arise. Conflict must arise to affect change. Change must be accomplished to effectively meet the contract goals.

Therefore, the best working relationship between the contract administration and the contractor is one of both conflict and cooperation with the mutual objective of effectively accomplishing the contract goal. Both parties must recognize the inevitability of conflict in their relationship and accept
this conflict as a healthy force which, if properly employed, will further the goals of the contracts and mission of the plant. A cooperative spirit between the parties must be maintained to properly direct and employ this conflict.
VII SUMMARY

The Army's complex of GOCO ammunition plants was created in the early 1940's to provide for the massive amounts of munitions required for World War II. ARMCOM is responsible for the administration of the GOCO plant contracts. The majority of the contract administration functions are performed by the COR located at the plant. The COR has all the authority of the Contracting Officer to administer the contract except that he may not execute or agree to any modification to the contract. A vital key to the successful operation of a GOCO plant is the maintenance of a good working relationship between the Commander/COR and the operating contractor. A good working relationship is one of both conflict and cooperation with the mutual objective of effectively accomplishing the contract goal.
1-406 Contract Administration Functions.

(a) When a contract is assigned for administration, functions which have been determined to be the responsibility of the contract administration component will automatically be performed by that component, and a delegation or assignment letter is unnecessary. However, if special instructions pertaining to administration of a particular contract are to apply, they should be contained in a letter accompanying the contract when it is assigned for administration. Such let-
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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;
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(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;

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

(iii) make payments on assigned contracts (but see 20–706);

(iii) assign and perform supporting administration;

(iv) assure timely submission of required reports;

(iv) 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;

(vi) process and execute novation and change of name agreements in accordance with Section XXVI, Part 4;

(vii) when authorized by the purchasing office, negotiate or execute supplemental agreements accelerating or decelerating contract delivery schedules;

(viii) when authorized by the purchasing office, negotiate or execute supplemental agreements providing for the de-obligation of unexpended dollar balances considered excess to known contract requirements;

(ix) determine adequacy of prime contractor’s Disclosure Statements;

(x) determine whether prime contractor’s Disclosure Statements are in compliance with Section XV and Cost Accounting Standards;

(xi) determine contractor compliance with Cost Accounting Standards and Disclosure Statements, if applicable;

(xii) negotiate price adjustments and execute supplemental agreements pursuant to the Cost Accounting Standards clause in 7–104.83;

(xiii) 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;

(xiv) 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;

(xv) when authorized by the purchasing office, issue change orders and negotiate and execute resultant supplemental agreements under contracts for ship construction, conversion and repair;

(xvi) 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;

(xvii) approve contractor acquisition/fabrication of special test equipment as provided in paragraph (b) of the clause in 7–104.26;
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(ixviii) negotiate and execute contractual documents for settlement of cancellation charges under multi-year procurements; and
(ixix) 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.
SUBJECT: Appointment of Contracting Officer's Representative, Contract No. W11173-49-C-0035

Commander
ATTN: LTC Victor J. Congola, 018-28-0256
Holston Army Ammunition Plant
Kingsport, TN 37662

1. You are hereby designated, effective 26 Jun 74, to act as Contracting Officer's Representative for the administration of Contract No. W11173-49-C-0035 between the United States of America and Holston Defense Corporation, Kingsport, Tennessee, for the operation of facilities at Holston Army Ammunition Plant, Kingsport, Tennessee.

2. To the extent not specifically prohibited by the terms of the above numbered contract, you are empowered to take any or all action thereunder which could be lawfully taken by the Contracting Officer, provided however, that you shall in no event be authorized by virtue of your designation as Contracting Officer's Representative to execute any supplemental agreement, change order or other modification of said contract.

3. Kindly acknowledge receipt of this appointment on the original copy and return to this office for retention in the contract file.

Authenticated copies:
US Army Finance Center
DCAA, Resident Auditor, Holston Finance Officer, RIA
Holston Defense Corp. (dups)

ACKNOWLEDGED: 25 June 1974

PHILLIP C. SIKER, JR.
Contracting Officer

VICTOR J. CONGOA
LTC, Ordo
(a) Perform production support, surveillance, and status reporting, including timely reporting of potential and actual slippages in contract schedules.

(t) Monitor and evaluate the contractor's production and inventory controls.

(u) Review and evaluate the contractor's modernization, maintenance, and utilization of the physical plant and equipment.

(v) Review and evaluate the contractor's policies, procedures, and operations in plant procurement and property disposal.

(w) Work closely with the Defense Contract Audit Agency (DCAA) resident or assigned auditor.

(x) Take action on DCAA reports as appropriate.

(y) Keep the contracting officer advised of operating contractor performance.

(z) Request estimates on proposed work, analyze contractor's estimate, negotiate an agreeable funding request, and forward same to contracting officer. A similar effort for cost targets, if work is CPFF.

(aa) Evaluate cost control.

(ab) Coordinate mobilization planning, continuity of operations planning, and other emergency planning programs.

(ac) Perform any other contract administration function required by the contracting officer.

(ad) Assist in the establishment of fee negotiations by an assessment of past contractor performance and recommendation relative to areas of improved contractor performance.
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