

DCMA SURVIVAL GUIDE

New Updated
Version for
2020

How to be Audit Ready with Government
Property and End Item Deliverables



 **A2B**
TRACKING



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The prospect of getting audited by the federal Defense Contract Management Agency can feel daunting and nerve-racking. For Government Contractors to be deemed compliant with DCMA's exacting requirements and specifications for government contracts, employees should have a thorough understanding of your property management and shipment requirements, Item Unique Identification (IUID) and Military Shipping Label (MSL) methods and reporting obligations to PIEE, WAWF, IUID Registry, GFP Module and PCARSS. They also must understand how the various divisions of the company work together to attain and maintain government property and shipment compliance.

Although you may feel overwhelmed about preparing for a possible DCMA audit, it is far better to put in the time now than to be deemed non-compliant by a DCMA auditor. Non-compliance can result in rejected payments, shipments that are rejected upon receipt, costly corrective actions, retroactive fixes, and auditors codifying your organization's deficiencies in an official government report.

Fortunately, advances in technology have eliminated many of the hurdles to achieving DCMA compliance. With robust record keeping and automated reporting, contractors now have the ability to efficiently identify and report their assets and inventories, while simultaneously reducing costly labor hours and the potential for human error. IUID and Radio Frequency Identification (RFID) technology has also dramatically enhanced a contractor's ability to gain real-time insights into where assets are currently, where they've been historically, and the details into the chain of custody throughout the life of that asset.

The DCMA Survival Guide is intended to teach you about new requirements related to audit-readiness, updates on reporting to government systems and tools to support the passing of a DCMA audit. This guide will review what DCMA auditors will be evaluating and looking for, why DCMA focuses on assessing the areas it does, and what happens when deficiencies are identified by an auditor. This guide also will cover the technology and services available to help you achieve compliance, and the steps you can take now to ensure your organization is adequately positioned to maintain compliance.



The Defense Contract Management Agency is an agency under the U.S. Department of Defense that works directly with defense contractors to ensure government supplies and services are delivered on time, come in at projected costs, and meet all performance requirements. The agency's mission is to protect the government from acquiring assets that are not of optimum quality, that aren't being purchased at the most competitive prices, and that aren't being delivered on time.



In addition to their auditing role, DCMA representatives routinely visit contractors both before a contract is awarded and throughout the life of the contract. They look to identify possible risks, ensure contracts are written to meet government needs and standards, and confirm that all terms and conditions of a contract are being met.

Specifically, when DCMA representatives evaluate government contracts, they are looking to ensure that every asset is uniquely identified, labeled, tracked and reported in accordance with the military and government standards. To that end, DCMA has developed a series of policies and procedures that allow DCMA auditors to systematically assess compliance under two important policies, MIL-STD 129 (Shipment Identification) and MIL-STD 130 (Asset Identification). DCMA also has developed very specific auditing standards to evaluate a contractor's government property management systems along with a consistent evaluation of a Property Management System Analysis (PMSA) and the supporting 22 Elements.¹

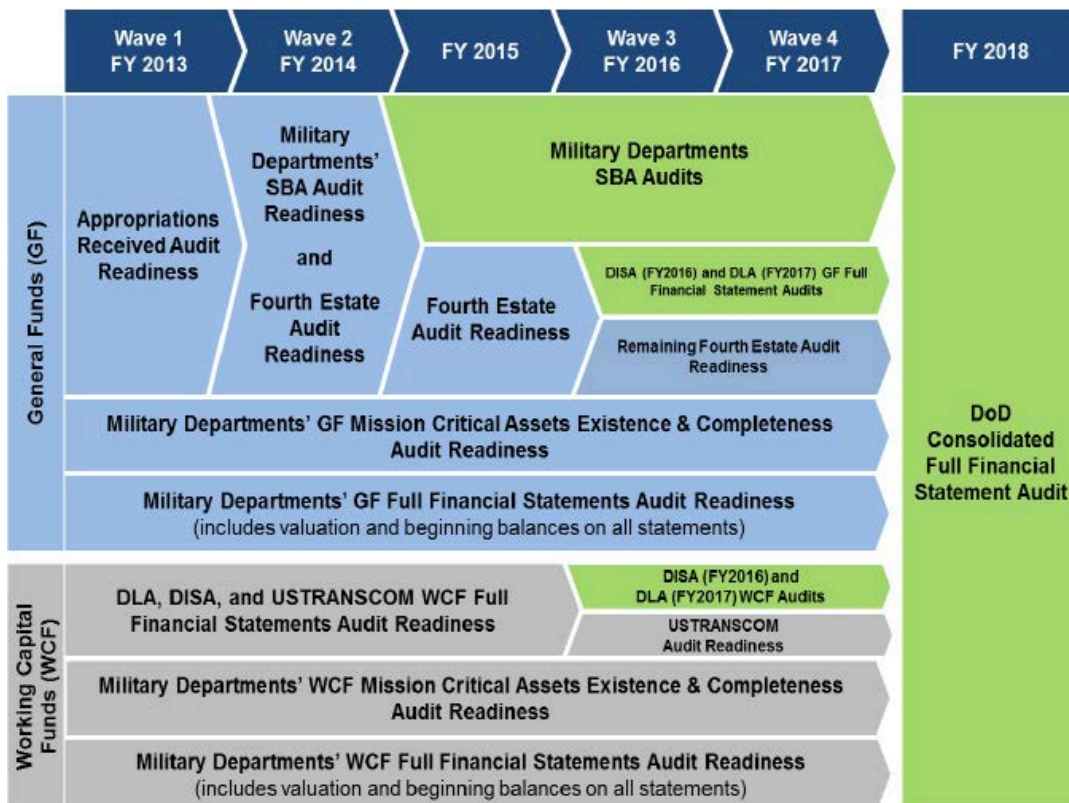
¹DCMA *GUIDEBOOK FOR GOVERNMENT CONTRACT PROPERTY ADMINISTRATION*" DCMA. Available Online: https://www.dcma.mil/Portals/31/Documents/Contract%20Property%20Guidebook/Contract_Guidebook_Mar2020.pdf?ver=2020-03-31-161117-427

GROWING IMPACTS OF THE FIAR DIRECTORATE

In addition to routine contract obligations noted above, the DoD is also facing internal audit-readiness deadlines that impact the way that assets and property are reported for the next generation of logisticians and property managers.

The Financial Improvement and Audit Readiness (FIAR) initiative has been in the works for years. The Department of Defense has worked to improve their financial management and accountability in order to be prepared for these FIAR audits. However, as you can see in the timeline below, starting in Fiscal Year 2018 all accountable assets need to be audit ready. Full financial statement audits have been performed on an annual basis since 2018 and will continue in the future.

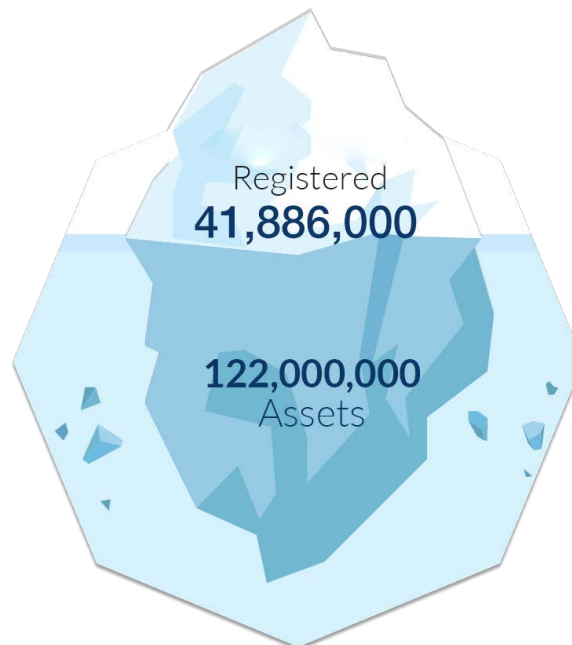
The US Congress is holding the DoD accountable to achieve and sustain full audit readiness of DoD property, plant, equipment, operating materiel and supplies. It puts the highest priority on accountability for all qualifying asset information and to be able to verify the existence and completeness of that inventory. This department-wide endeavor requires military contractors and program managers to track and report all DoD property.



This table represents the official FIAR strategy and deadlines as provided by DoD Comptroller Office. https://comptroller.defense.gov/Portals/45/documents/fiar/FIAR_Guidance.pdf

The branches of the US Military and contractors that support them have all made significant strides towards the FIAR initiative since its inception — but there is still a long way to go. The process of capturing and registering data for approximately 150 million assets, whether they are legacy items, Government Furnished Property or newly acquired assets, is a daunting task.

The Challenge: So Many Assets Marked. So Many More to Go.



-- GAO Report, May 2012

As of April 2020, the DoD has reported 41.8 million accountable assets into the IUID Registry. Meanwhile, according to a May 2012 GAO Report there are approximately 122 million total legacy items in their inventory. (GAO report: <https://www.gao.gov/products/GAO-12-482>)

Fortunately, the Department has embraced the industry best practices for quickly and cost-effectively identifying, marking and tracking critical assets. The DoD refers to this practice as the Item Unique Identification (or IUID). And they have adopted a number of policies to streamline and simplify this process, most notably the IUID Policy. The DoD has also put into place the Procurement Integrated Enterprise Environment (or PIEE), which includes WAWF, GFP Module and IUID Registry as the gateway to reporting all military assets and shipments.

WHAT IS THE IUID REGISTRY?

The IUID Registry is the Department of Defense's repository for all IUID data, allowing the government to manage and track end items, legacy items, updates and rebuilds, and other property. The IUID Registry allows the government to establish a system of record, to track and trace all assets, to create an audit trail for all assets, and to analyze, report on, and optimize its assets.

When submitting data to the IUID Registry, you should expect to submit the following information at minimum about an asset:

- What property the company has in its custody
- What the item is
- How and when it was acquired
- The item's initial value
- Its custody status (i.e., government vs. contractor)
- Description of how it is marked for tracking
- Additional details for end items, legacy items, and GFP (government-furnished property)

Property Management vs. End-Item Production

Contractors manage two main types of assets: End items that are produced by the contractor and go to the government, and government-furnished property and legacy assets that come from the government and are managed by the contractor. Although there are clear processes in place to manage both types of assets, these workflows are not the same, and the DCMA does not treat them the same. It is important to understand the main differences:

1) End-item production: End items must be registered via an IUID methodology and shipped with an Advance Shipping Notice (ASN) through WAWF. All end items must be inspected by DCMA prior to acceptance by the government. The assets used to produce end items are called "sub" items and are required to undergo the IUID process as well. The "end" items that are produced from "sub" items are always required to be fully reported assuming that they meet the qualifiers for IUID.

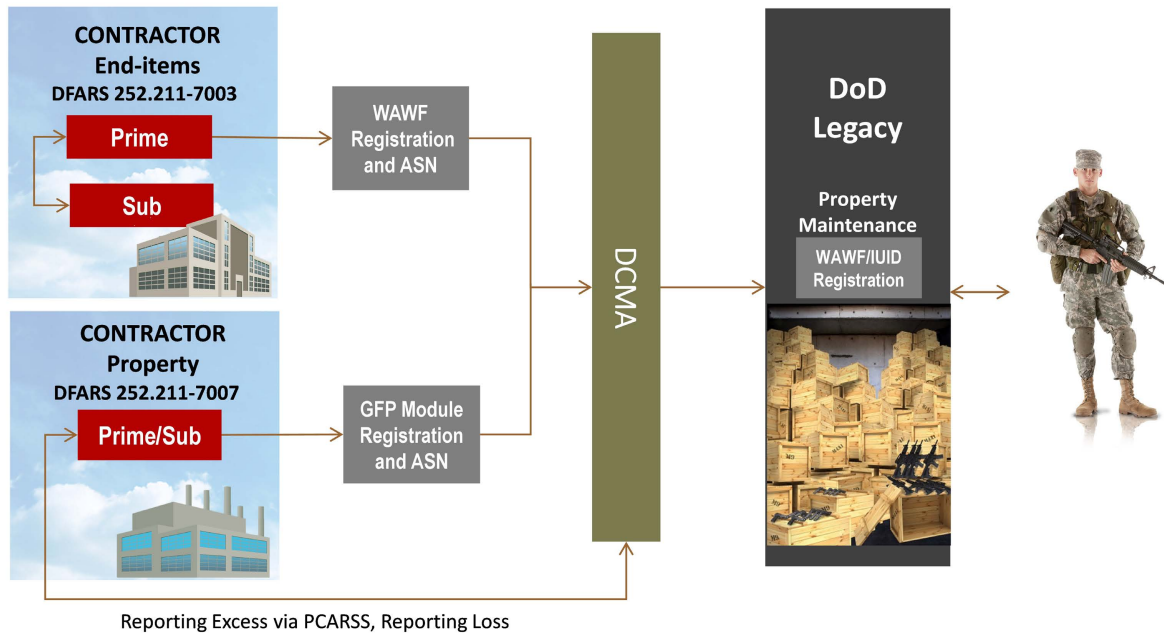
WAWF, GFP Module and IUID Registry

Defense contractor obligations to report shipments, invoices, receipts, property transfers and IUID details have been continuously growing while government systems have been evolving quickly. Here is what you should be aware of:

- Wide Area Workflow is the system used for submission of invoices, receipts and acceptance of new end item deliverables.
- GFP Module is the system used for submission of GFP Attachments, shipments, receipts updates and disposals.
- IUID Registry is the system which hosts item unique identifier information along with asset pedigree.

WHAT IS THE IUID REGISTRY?

2) Property management: All assets that undergo modifications while being managed by the contractor are required to be registered via an IUID methodology and sent through DCMA inspection prior to acceptance by the government. In many cases, the government will send the contractor additional assets over time that the contractor modifies and updates; all of this property, once ready to be returned to the government, generally must go through the IUID registration process via the GFP Module.



Because these processes diverge, it is important to maintain compliance for these two types of assets separately and to create workflows that ensure each tracking process has adequate compliance measures built into it.

WHAT ARE THE ODDS OF BEING AUDITED?

Just as some income tax filers are more likely to be audited than others, some contractors are more likely than others to face a DCMA audit. The likelihood of DCMA selecting your organization for an audit depends on a number of factors, including the size of the company and the number and type of government contracts. A larger company that has an ongoing relationship with the government, for example, is more likely to be audited.

That said, any organization can be audited at any time. However, the DCMA needs to provide "reasonable notification" of an audit - which can be as little as ten business days. Therefore, it's essential to do everything you can prior to an audit to ensure your organization is in compliance and prepared to pass.

WHAT DOES THE DCMA AUDITOR LOOK FOR?

When DCMA auditors show up at your workplace, they know how your operation should be run and will reference what they observe against these standards. Fortunately, there's no mystery to the things that DCMA auditors will inspect. Auditors want to know that all employees understand and adhere to all contract requirements related to property management and the shipment of end item deliverables. They will also need to know that the 22 Elements of a Property Management System Analysis is being adhered to according to the guidance outlines in the DCMA Guidebook for Government Contract Property Administration. A few of the key elements include government property identification, record keeping, physical inventories, subcontractor reviews, reporting, movement and property closeout reporting. Each of these areas of focus are discussed in more detail below:

1) Employee adherence: DCMA auditors are looking to verify that all employees involved with property management or with IUID asset identification and reporting understand their organization's processes and consistently support effective implementation of these processes. The auditor will look for a property management and IUID execution plan that documents the company-wide strategy for adhering to all contract requirements and provisions, from standard operation procedures and best practices to engineering drawings, material selection, serialization of part numbers, and employee training programs while managing all property management obligations. [For more information see: [A2B Tracking's Essential Property Management Guide](#)].

2) IUID marking: DCMA auditors are looking to verify that all physical IUID labeling with plates, tags and labels is done in accordance with government standards. Auditors will look at every aspect of IUID markings, from verifying that physical markings appear on assets to ensuring those markings are visible and readable by commercial off the shelf scanners. Auditors will inspect the durability and type of materials used for the labeling, including how the Direct Part Mark (DPM) is being affixed, if being used. Auditors also will ensure that the location of the tags is correct, even going so far as to compare the tags' placement against the original engineering drawings. Finally, auditors will seek proof that all IUID marks have been validated and verified in compliance with military standards, which includes having the appropriate construct, data qualifiers, enterprise identifier type and a certificate of conformance to MIL STD 130.

3) Proof of registration: DCMA auditors are seeking to verify that all assets are properly registered in the Wide Area Workflow (or WAWF) system, the DoD's web-based platform for electronic invoicing, acknowledgment of receipt and asset acceptance. WAWF is a component of the Procurement Integrated Enterprise Environment (or PIEE) and was formerly known as iRAPT². DCMA auditors specifically will look to ensure that each IUID number is registered under the correct domain (ie. acquisition, custody, legacy), and that this information is being submitted accurately to WAWF or the IUID Registry. Auditors also will be seeking to confirm that when the contractor updates its records (for lifecycle events, Part Number rollovers, custody transfers, condition changes), these updates are being propagated into the IUID Registry in real time.

² "WAWF Functional Information: <https://wawf.eb.mil/xhtml/unauth/web/homepage/functionalInfo.xhtml>

Required vs. Non-Required Documents

The WAWF system for managing asset tracking uses a form called a **DD250**, which is the Material Inspection and Receiving Report. WAWF also requires ASNs (Advanced Shipping Notices).

By contrast, **DD1149**, which is the Requisition and Invoice/Shipping Document, commonly known as a transfer report, is not a contractually required document. It is used to transfer government property from one party to another, i.e., government to contractor, contractor to government, from one government activity to another.

WHAT DOES THE DCMA AUDITOR LOOK FOR?

4) Subcontractor oversight: DCMA auditors will look to verify that a company's subcontractors are following all protocols for government property management and IUID compliance. For example, when evaluating the application of labels that have been outsourced, the auditors will look for proof of application from the subcontractor and review the subcontractor's processes. For labels that are produced by subcontractors and applied by the contractor, auditors will look for proof of compliance with production standards. And finally, DCMA auditors will examine IUID Registry data, including documentation of assets that move through the workflow from "sub" to "prime."

Why is accurate tracking data so important?

Being able to reliably and consistently manage government property through their full lifecycle is essential for passing DCMA audits. But investing in the infrastructure and resources necessary to support accurate government property management data is important for strategic company reasons as well. When you manage assets with government property reporting in mind, you are able to identify errors and problems early on, and correct them before the error is propagated. Once erroneous tracking data have been submitted to the IUID Registry or the GFP Module, the mistake becomes increasingly complicated and costly to correct.

Furthermore, the IUID Registry is part of a greater ecosystem which includes military Accountable Property Systems of Record (APSR). All asset data that go into the system are, by design, linked to invoices and the payment approval process, ensuring total compliance. Thus, all data that are put into this system create a domino effect through the ecosystem: If you don't input data correctly, you may not get paid on time or completely.

WHAT HAPPENS IF I AM DEEMED NON-COMPLIANT?

Because government property record keeping requires so much attention to process and detail, having deficiencies identified by a DCMA auditor is a very real possibility, even for organizations that take measures to follow all the government property management guidance. No matter how much you're doing now, there is always an opportunity to do more to prevent missing, incomplete or inaccurate information from being generated and submitted.

Receiving higher levels of a Corrective Action can have severe long-term implications. It can impact your reputation and your ability to maintain government contracts, as well as secure future contracts. In a worst-case scenario, you may be cut off from all government customers – essentially, blacklisted within the tight-knit DoD community – and endure crippling revenue losses.

When shipping new deliverables, failure to comply with DCMA specifications can result in rejected shipment of non-conforming 2D Data Matrix codes, rejected or delayed payments, and temporary shutdown of production lines while you resolve the deficiency. You also may be forced to correct the tracking markings on assets after the assets have left your possession and that have perhaps even been deployed to the field.

The Wake-up Call for Gov't Contractors: What's At Risk.

Stay ahead. Be competitive.

CONTRACTOR A Ahead of the curve



- ✓ Continuous record keeping
- ✓ Efficient inventories
- ✓ Automated gov't reporting
- ✓ Full property accountability
- ✓ Facilitate audit readiness
- ✓ Avoid Corrective Actions

CONTRACTOR B Behind the curve



- ✗ Lacking "floor to record" detail
- ✗ Slow, manual approach to inventory
- ✗ Swivel chair, manual entry
- ✗ Gaps in meeting PMSA obligation
- ✗ Audit nightmare, corrective action
- ✗ High Risk Assessment by Gov't

How do DCMA auditors address non-compliance?

Identifying deficiencies and non-compliance is a straightforward process for DCMA auditors. But how the auditors handle these deficiencies with corrective actions is not so cut and dry. DCMA auditors have considerable discretion, with the actions taken depending greatly upon the auditor and the context of the situation.

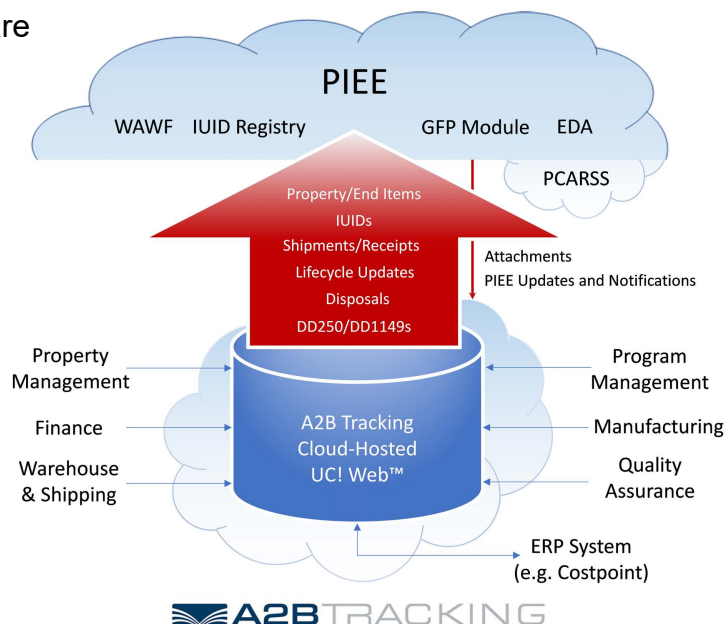
Generally, the process works like this example: The DCMA auditor determines that a required marking is missing or not created in compliance with DCMA specifications. A report detailing the non-compliant mark or non-registration of the asset is generated. The PQDR (Product Quality Deficiency Report) is submitted in accordance with DLAR 4155.24/ AR 702-7/ SECNAVINST 4855.5B, AFR 74-6. Then, permission is sought from the entity responsible for the deficiency to replace and properly register the mark. The contractor has an opportunity to determine how to recover the costs of fixing the deficiency, consistent with the terms of the original contract. Meanwhile, the contractor is notified of the cost to correct the deficiency and given a specified time period to fix the deficiency. A reassessment will typically take place at the end of that time period.



WHAT TECHNOLOGY AND SERVICES ARE AVAILABLE TO HELP YOU?

Managing the government property data and reporting process is cumbersome for any contractor. Fortunately, you do not need to reinvent the wheel. There are commercially available systems on the market such as the A2B Tracking platform that can readily be integrated into enterprise business systems. Furthermore, many of the routine tasks associated with IUID management can be outsourced, from label and tag creation to the registration process. Let's explore these technologies and services in more detail:

1) Commercially available systems: A2B Tracking provides a cloud-based Government Property Management system for managing assets and property, shipments, IUID data and reporting obligations to government systems, and integrates into the most popular ERP systems, including Oracle, Deltek and SAP. With this integration, a contractor is able to pass DCMA Audits while automating reporting to PIEE, WAWF, IUID Registry and PCARSS. Capabilities include IUID compliance, robust audit trails for complete lifecycle asset management to FAR 52.245-1, advanced barcode and RFID technology to track inventory 30x faster and improve the accuracy of inventory to 99%+. Indeed, all registrations, invoice, and Advanced Ship Notices can be programmed to flow seamlessly and in real time among your systems. A2B Tracking software also can simplify the marking process, with advanced technologies like thermal transfer printers and laser marking systems able to provide more dependable, compliant labeling solutions. A2B Tracking software also includes verification capabilities that perform quality assurance and eliminate errors.



2) Outsourcing: If you don't have the in-house resources to manage the IUID compliance process, you can outsource this work to a vendor, like A2B Tracking. We create IUID and RFID labels and tags by utilizing the latest technology to generate comprehensive, real-time tracking information. Furthermore, the process of registering assets via the IUID Registry also can be outsourced. Our next-generation cloud-based portals can provide comprehensive control over asset data and invoicing, alleviating the responsibility of having to train in-house employees.

1) Get your team members and stakeholders talking: Government Property Management and reporting with IUID involves the dedication and combined resources of many divisions of your company. They must be talking to one another to identify responsibilities to record keeping and opportunities to collaborate and improve processes to allow for the best visibility of assets and inventory. Below is a sample list of the different functional areas within the average company and the responsibilities that each bears for achieving successful government compliance.

2) Identify which contracts require obligation to FAR 52.245-1 (Government Property Management) and IUID Compliance: You should always review your contract obligations to Government Property Management and IUID compliance to ensure when it's required so you're using resources efficiently. This process starts with reading contracts carefully and ensuring every employee is on the same page about which assets and shipments must be marked and reported. It's also critical to be familiar with all aspects of the DCMA Guidebook for Government Contract Property Administration and the 22 Elements of a Property Management System Analysis (PMSA).

AREA	FUNCTION
Program and Contract Management	Contract compliance
IT	Data and application management
Production	Create, manage, submit, report item and IUID data
Property Management	Create, manage submit, report government property data
Customer Support	Hardware and software support
Engineering and Quality Assurance	Placement and material specification and label design
Procurement	Purchasing labels, software, hardware
Manufacturing	Bill of Materials and production
Legal	Compliance and audits
Finance	WAWF reporting

Managing to DoD's contract compliance requires support from many business functions. Responsibilities need to be clearly identified and data processing coordinated to support audit-readiness.

HOW DO I BEGIN PREPARATION?

3) Establish a timeline based on priorities: Because there are so many moving parts to the property management, IUID data management, shipment management and reporting process, your goal should be to set priorities for which elements to master in which order. When you know what you're trying to accomplish, you can set a timeline for achieving key steps, such as engaging DCMA to gain acceptance. As you set priorities, remember to start with data at the core – the data that, if not inputted and managed correctly, can propagate quickly through a property and shipment management system and add up to big headaches down the road.

4) Don't do this work alone: As noted in the previous section, there are a number of commercially available software solutions to managing government property and to streamline the process of creating DoD-compliant markings and registering assets to WAWF, GFP Module and the IUID Registry. And if you aren't up to the task or don't have the resources to accomplish these tasks efficiently in house, remember that every aspect of this process can be outsourced cost-effectively to experts.



5) Know MIL STD 129 and MIL STD 130 inside and out: DCMA uses two underlying standards as the basis of all IUID and shipment compliance standards. You should seek to understand and master MIL STD 129 and MIL STD 130 because they will guide all of your compliance planning.

6) Show that you are invested in your contract compliance: One of the best ways to prepare for DCMA compliance is to offer your clients a level of customer service that shows you're invested in contract compliance. The property managers that are meeting all of their asset and shipment obligations and are ready for the potential DCMA audit have a distinct advantage over their competition. By staying ahead of your contract obligations your organization will benefit with the ability to offer quicker bid responses, as well as, more accurate project estimates and most importantly you will be able to avoid costly mistakes that your client will easily see, such as a rejected invoice or shipment.

How Should Contractors Prepare

Stay ahead. Be competitive.

CONTRACTOR A
Ahead of the curve



- ✓ Audit-ready for DCMA
- ✓ MIL STD 129/130 compliant
- ✓ Quicker bid response
- ✓ Accurate project estimates
- ✓ No invoice or shipment rejections
- ✓ Win more contracts

CONTRACTOR B
Behind the curve



- ✗ Failed DCMA audit
- ✗ Not compliant yet
- ✗ Delayed bid response
- ✗ Unrealistic project estimating
- ✗ Costly rejections or PQDR
- ✗ Lost contract opportunities

A2B TRACKING: A COMPREHENSIVE SOLUTION



For over 25 years, A2B Tracking has pioneered military-grade solutions for tracking and managing critical assets and inventory for government agencies and commercial businesses. Our Government Property Management Software, UC! Web™, was specifically designed to enable total compliance to FAR 52.245-1 (Government Property), along with compliance to military asset and shipment identification standards while providing automated data exchange to WAWF, IUID Registry, GFP Module and PCARSS. The UC! Web platform is a FedRAMP secure, versatile asset management solution designed to automate your lifecycle asset management events — from acquisition to disposal. A complete lifecycle asset management platform with integration modules to Oracle, Deltek Costpoint and other ERPs.

Whatever type of contract you have, the qualified professional services team at A2B Tracking will be able to adapt the latest, most appropriate tracking and compliance technologies to ensure your contract's specifications are fully met. A2B Tracking professional services team members are trained to work with members of your in-house asset management teams to design workflow processes that ensure every asset leaves on time, is properly marked and registered, and is in no danger of being rejected.

With more than 3,750 tracking installations around the world, A2B Tracking serves a broad range of commercial enterprises and public sector organizations, from small- and large-scale manufacturers to government agencies and the military.





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