

DOD Offers Update on DFARS Business Systems Administration Impacts

Written by Nick Sanders

Wednesday, 10 October 2012 00:00

As you may know, we have been following the still-new DFARS Business Systems oversight regime with some interest. We last discussed the matter [right here](#). But we're not the only ones following this topic with great interest.

On October 4, 2012, the Federal Times published [an article](#) on how DOD has implemented the new regime over the past year at various contractors. Authored by Sarah Chacko, the article revealed that, to date, DOD has withheld at least \$42 million from at least five contractors because of deficient business systems. The total dollar amount is a bit murky, because, according to the article, "DoD could not confirm that these five contractors were the only ones subjected to payment withholdings since the department put a new contracting rule allowing the withholdings into effect in February."

Who are the notorious five?

Well, Huntington Ingalls is one. It had \$2.6 million in payments withheld "because of a faulty Earned Value Management System." We [told you](#) about that situation nearly a year ago. The Federal Times story reported that the Navy recently reduced the shipyard's payment withholds from 5 percent to 2 percent" after about a year of payment withholds, indicating (to us) that an acceptable corrective action plan had been submitted.

Another of the five is Lockheed Martin Aeronautics, located in Fort Worth, Texas. Home of the F-25 Lightning II program, we've reporting on its EVMS problems several times, the most recent [here](#). There's not much more to add to what we've already reported.

So those two should not be news to our readers. But the other three malefactors may be new information to many of you. According to the article they were—

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BAE Systems Land and Armaments in Arlington, Va.: \$400,000 in payments was withheld because of a faulty accounting system.

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Lockheed Martin Space Systems in Denver: \$8.7 million in payments was withheld because of a faulty Earned Value Management system.

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United Launch Alliance, a joint venture between Lockheed Martin Corp. and Boeing Co., in Denver: \$2.8 million in payments was withheld because of a faulty accounting system.

In addition, the article reported that—

The department made a preliminary decision to withhold money against at least one other contractor, CACI of Arlington, Va., because of problems with its labor accounting system, department spokeswoman Army Lt. Col. Elizabeth Robbins said in an email. But it is unclear how much, if any, money was withheld before the company submitted a corrective-action plan that satisfied DoD's concerns.

The article also touched on contractor concerns about the subjective definition of "adequate" and the costs of coming into perfect compliance versus the benefits of doing so. We recommend you check it out.