



DEPARTMENT OF DEFENSE
Defense Contract Management Agency

INSTRUCTION

Manufacturing and Production

Engineering and Analysis Directorate
OPR: DCMA-EAM

DCMA-INST 204
August 16, 2012

1. PURPOSE. This Instruction:

- a. Reissues DCMA Instruction, “Manufacturing and Production” (Reference (a)).
- b. Establishes policies and assigns responsibility for all individuals assigned responsibility for Production Surveillance (Defense Acquisition Regulations System (DFARS) 242.1104) (Reference (b)) by their assigned Contract Management Office (CMO).
- c. Is established in compliance with DoD Directive 5105.64 (Reference (c)).

2. APPLICABILITY. This Instruction applies to all DCMA activities that have contract administration responsibilities.

3. MANAGERS’ INTERNAL CONTROL PROGRAM. In accordance with the Managers’ Internal Control Program (Reference (d)), this Instruction is subject to evaluation and testing. The process flow is integrated into the instruction.

4. RELEASABILITY – UNLIMITED. This Instruction is approved for public release.

5. PLAS CODE. 087A-C, 088, 089A-F, 090A-F

6. POLICY RESOURCE PAGE. <https://home.dcma.mil/policy/204r/index.cfm>

7. EFFECTIVE DATE. By order of the Director, DCMA, this Instruction is effective immediately.

Karron E. Small
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TABLE OF CONTENTS

REFERENCES.....4

CHAPTER 1 – POLICY

1.1. Policy5

CHAPTER 2 – ROLES AND RESPONSIBILITIES

2.1. Director, DCMA5
2.2. Executive Director5
2.3. CMO Commander/Director5
2.4. Technical Specialist5

CHAPTER 3 – Procedures

3.1. Surveillance Planning7
3.2. Surveillance Execution and Documentation21

TABLES

Table 1. Mandatory systems and processes requiring surveillance in Resident Office environment 9
Table 2. Mandatory systems and processes requiring surveillance in Geographic Office environment 10
Table 3. Mandatory PPC key processes for Resident Office risk assessment and process adequacy requiring evaluation during the risk assessment process11
Table 4. Mandatory PPC key processes for Geographic Office risk assessment and process adequacy requiring evaluation during the risk assessment process12
Table 5. Mandatory Work Measurement risk assessment and process adequacy requiring evaluation during the risk assessment process13
Table 6. Mandatory DPAS risk assessment and process adequacy requiring evaluation during the risk assessment process14
Table 7. Mandatory Producibility risk assessment and process adequacy requiring evaluation during the risk assessment process15
Table 8. Production surveillance category table16

FIGURES

Figure 1. Surveillance Planning Flowchart.....17
Figure 2. Document Production Surveillance Plan Flowchart22
Figure 2a. Surveillance Plan Documentation Flowchart23
Figure 3. Production Surveillance Flowchart25
Figure 4. Contractor Performance History Input Flowchart26
Figure 5. Development Surveillance Flowchart28
Figure 6. Over & Above Surveillance Flowchart30
Figure 7. Time & Material Surveillance Flowchart.....31

Figure 8. Delay Reporting Flowchart33
Figure 9. Customer Requests Flowchart.....35
Figure 10. Physical Progress Reviews Flowchart.....37
Figure 11. Performance Based Payment Support Flowchart.....38
Figure 12. Delegation Flowchart40
Figure 13. Corrective Action Requests Flowchart.....41
Figure 14. Continuous Improvement Opportunities Flowchart.....42
Figure 15. Industrial Labor Relations Flowchart.....43

GLOSSARY

Acronyms44

REFERENCES

- (a) DCMA Instruction, "Manufacturing and Production," "July 2010 (hereby canceled)
- (b) DFARS 242.1104, "Production Surveillance", April 23, 2008
- (c) DoD Directive 5105.64, "Defense Contract Management Agency," September 27, 2000
- (d) DCMA Instruction, "Managers' Internal Control Program," September 12, 2011
- (e) DCMA Instruction, "Contracts - Initial Receipt and Review," October 20120
- (f) DFARS 252.242-7004, "Material Management and Accounting System" May 2011
- (g) 15 CFR 700, "Defense Priority Allocation System"
- (h) FAR 42.11, "Production Surveillance and Reporting"
- (i) DCMA Instruction, "Records Management," May 2011
- (j) FAR 42-302(a)(67)
- (k) FAR 42-302(a)(31)
- (l) FAR 22.101-1 thru 4
- (m) DFARS 222.1

CHAPTER 1

POLICY

1.1. POLICY. This Instruction ensures that all the applicable Federal Acquisition Regulations (FAR), DFARS, statutory and regulatory requirements that apply to DCMA for contract surveillance of manufacturing and production activities are met.

CHAPTER 2

ROLES AND RESPONSIBILITIES

2.1. DIRECTOR, DCMA. The Director, DCMA is responsible for all regulatory and statutory requirements referenced in this Instruction.

2.2. EXECUTIVE DIRECTOR. The DCMA Executive Director of each directorate responsible for FAR 42 contract administration is responsible in ensuring their directorate meets the requirements of this Instruction.

2.3. CMO COMMANDER/DIRECTOR. The CMO ensures the CMO meets the requirements of this Instruction.

2.4 TECHNICAL SPECIALIST. The Technical Specialist performs the duties and actions required in this Instruction

[Note: The term “Technical Specialist” referenced throughout this Instruction pertains to Industrial Specialists, Industrial Engineers, and other technical personnel assigned responsibility for Production Surveillance (DFARS 242.1104, (Reference (b)) by their assigned CMO.]

CHAPTER 3

PROCEDURES

3.1. SURVEILLANCE PLANNING.

3.1.1. Perform Contract Technical Review. Initial contract review and review of subsequent contract modifications shall be accomplished in accordance with the DCMA Instruction, “Contracts – Initial Receipt and Review” (Reference (e)). Contract deficiencies shall be addressed via the Contract Deficiency Report (DD1716) application in Electronic Document Access (EDA). The Technical Specialist should identify/review:

- Applicable FAR/DFARS clauses
- Weapon System Code
- Defense Priorities and Allocations System (DPAS) requirements
- Surveillance Criticality Designation (SCD). If the Technical Specialist considers the SCD inaccurate, the Contracting Officer should be notified
- Progress Payments Requirements
- Performance Based Payments Requirements
- First Article Requirements
- Line Item/Schedule Data
- Shipment Data (Ship To)
- Quantity on Order or Variance
- Work Statement
- Contract Data Requirements List (CDRL)

3.1.2. Review Agreements. The Technical Specialist should review:

- Memorandums of Agreement (MOA)
- Performance Based Agreements (PBA)

3.1.3. Ensure Mechanization of Contract Administration Services (MOCAS) Data Integrity. The Technical Specialist shall ensure MOCAS data integrity by reviewing and correcting data in shipments, delinquencies, acceptance, cancellations, terminations, completion of line items, and performance history. At a minimum, the Technical Specialist should verify the following data elements:

- DPAS requirements
- Line Item/Schedule Data
- First Article
- Shipment Data (Ship To)
- Quantity on Order or Variance

3.1.4. Perform Manufacturing Supplier Risk Assessment (MSRA). The Technical Specialist shall conduct a MSRA on all suppliers that have SCD A or B contracts (DFARS 242.1104,

(Reference (b)), utilizing the DCMA Manufacturing Supplier Risk Assessment Tool (Geographic Office Tool or Resident Office Tool) (see the Resource Page). Suppliers considered high delivery risk should be assessed biannually, with all others assessed annually or as conditions warrant. New suppliers should be considered as moderate risk and subject to continued assessment and rating adjustment as warranted.

3.1.4.1. Manufacturing Systems Risk Assessments. Manufacturing Systems risk assessment results are an input to the MSRA. These risk assessments are also used to determine the risks associated with key processes and to determine the frequency and detail of periodic key process surveillance activities. Table 1 defines the mandatory systems and their requisite processes requiring surveillance by Resident Offices (Producibility System risk assessment and surveillance is required on suppliers with Acquisition Category (ACAT) 1 and ACAT 2 contracts that have completed Milestone B and have not initiated Full rate Production). Table 2 defines the mandatory systems and their requisite processes requiring surveillance by Geographic Offices. Manufacturing System risk assessments should be updated when either a major change is made to the system's existing processes or when recurring surveillance activities indicate a change in process performance.

Table 1, Mandatory systems and processes requiring surveillance in Resident Office environment

RESIDENT MANDATORY SYSTEMS AND PROCESSES	
SYSTEM	KEY PROCESS
Production Planning and Control (PPC)	Demand Management
	Resource Requirements Planning
	Aggregate Planning
	Master Production Scheduling
	Rough Cut Capacity Planning
	Material Requirements Planning
	Capacity Requirements Planning
	Shop Floor Control
Work Measurement	Standards Development
	Standards Maintenance
	Standards Usage
Producibility	Producibility Infrastructure Establishment
	Manufacturing Design Integration
	Process Capability Determination
	Producibility Measurement
Defense Priorities and Allocation System (DPAS)	Contract Review and Order Acceptance
	Requirements Flow-Down
	Delay Notification
	Preferential Scheduling

Table 2. Mandatory systems and processes requiring surveillance in Geographic Office environment

GEOGRAPHIC MANDATORY SYSTEMS AND PROCESSES	
SYSTEM	KEY PROCESS
Production Planning and Control (PPC)	Master Production Scheduling
	Rough Cut Capacity Planning
	Material Requirements Planning
	Capacity Requirements Planning
	Shop Floor Control
Defense Priorities and Allocation System (DPAS)	Contract Review and Order Acceptance
	Requirements Flow-Down
	Delay Notification
	Preferential Scheduling

3.1.4.2. Production Planning and Control (PPC) System Risk Assessment. The Technical Specialist shall conduct a risk assessment by evaluating the adequacy of the supplier's PPC key processes. PPC system risk assessments and recurring system surveillance are performed in order to assess processes that impact supplier delivery performance and when applicable DFARS 252.242-7004 (Reference(f)) compliance.

3.1.4.2.1. Resident Office PPC System Surveillance. The mandatory PPC key processes for Resident Office risk assessment are defined in Table 3. Table 3 also defines process adequacy criteria requiring evaluation during the risk assessment process. Technical Specialists may utilize recommended guidance for assessing PPC process adequacy or utilize CMO derived guidance. Metrics for consideration in recurring surveillance efforts are also included in the recommended guidance.

Table 3. Mandatory PPC key processes for Resident Office risk assessment and process adequacy criteria requiring evaluation during the risk assessment process

RESIDENT PPC SYSTEM - ADEQUACY CRITERIA	
PROCESS	ADEQUACY CRITERIA
Demand Management	Reasonable demand forecasts are made and customer orders are managed.
Resource Requirements Planning	Long term needs for personnel, facilities, and physical equipment are determined.
Aggregate Planning	Long term levels of production (mix and volume) are determined.
Master Production Scheduling	Schedule(s) for production by item, date, and quantity for the duration of the planning system is provided.
Rough Cut Capacity Planning	Capacity check(s) of critical resources, to ensure feasibility of the master production schedule, is provided.
Material Requirements Planning	Time phased plan(s) for all component parts, raw material, sub-assembly and assembly activities required to produce all products on the master production schedule is determined.
Capacity Requirements Planning	Capacity check(s) of productions plans, generated from material requirements planning, is provided.
Shop Floor Control	Documentation, material, and tooling needed for order processing are present.
	Orders are released as authorized by the material requirement plan.
	Priority control is exercised with respect to queues.
	Order performance is monitored and plans adjusted as necessary.

3.1.4.2.2. Geographic Office PPC System Surveillance. The mandatory PPC key processes for Geographic Office risk assessment are defined in Table 4. Table 4 also defines process adequacy criteria requiring evaluation during the risk assessment process. Technical Specialists may utilize recommended guidance for assessing PPC process adequacy or utilize CMO derived guidance. Metrics for consideration in recurring surveillance efforts are also included in the recommended guidance.

Table 4. Mandatory PPC key processes for Geographic Office risk assessment and process adequacy criteria requiring evaluation during the risk assessment process

GEOGRAPHIC PPC SYSTEM - ADEQUACY CRITERIA	
PROCESS	ADEQUACY CRITERIA
Master Production Scheduling	Schedule(s) for production by item, date, and quantity for the duration of the planning system is provided.
Rough Cut Capacity Planning	Capacity check(s) of critical resources, to ensure feasibility of the master production schedule, is provided.
Material Requirements Planning	Time phased plan(s) for all component parts, raw material, sub-assembly and assembly activities required to produce all products on the master production schedule is determined.
Capacity Requirements Planning	Capacity check(s) of productions plans, generated from material requirements planning, is provided.
Shop Floor Control	Documentation, material, and tooling needed for order processing are present.
	Orders are released as authorized by the material requirement plan.
	Priority control is exercised with respect to queues
	Order performance is monitored and plans adjusted as necessary.

3.1.4.3. Work Measurement System Risk Assessment. Work measurement system risk assessment shall be conducted on suppliers utilizing work measurement techniques for planning, estimating, or performance measurement. Risk assessments evaluate the adequacy of the supplier's work measurement key processes. The work measurement key processes requiring risk assessment and recurring surveillance are defined in Table 5. Table 5 also defines process adequacy criteria requiring evaluation during the risk assessment process. Technical Specialists may utilize recommended guidance for assessing work measurement process adequacy or utilize CMO derived guidance. Metrics for consideration in recurring surveillance efforts are also included in the recommended guidance. When system weaknesses are identified, the Technical Specialist should determine whether these identified weaknesses pose risk to supplier planning,

estimating, or performance measurement processes. If system weaknesses have an adverse impact on the supplier’s Material Management and Accounting System or Estimating System, then a Corrective Action Request (CAR) should be issued. All other system weaknesses should be presented to the supplier as a Continuous Improvement Opportunity (CIO).

Table 5. Mandatory Work Measurement risk assessment and process adequacy criteria requiring evaluation during the risk assessment process

WORK MEASUREMENT SYSTEM ADEQUACY CRITERIA	
PROCESS	ADEQUACY CRITERIA
Standards Development	Accurate and consistent standards are developed.
Standards Maintenance	Standards are updated in a timely manner and are available.
Standards Usage	Standards application is consistent and valid.

3.1.4.4. Defense Priority Allocation System (DPAS) Risk Assessment. DPAS risk assessment shall be conducted on suppliers with contracts containing DPAS requirements. The Technical Specialist should meet with the supplier to ensure the supplier understands the requisite preferential scheduling of rated orders in accordance with 15 CFR 700 (Reference (g)) and ensure that DPAS training is provided to the supplier when DPAS requirements are not understood. Risk assessments evaluate the adequacy of the supplier’s DPAS key processes. The DPAS key processes requiring risk assessment and recurring surveillance are defined in Table 6. Table 6 also defines process adequacy criteria requiring evaluation during the risk assessment process. Technical Specialists may utilize recommended guidance for assessing DPAS process adequacy or utilize CMO derived guidance. Metrics for consideration in recurring surveillance efforts are also included in the recommended guidance.

Table 6. Mandatory DPAS risk assessment and process adequacy criteria requiring evaluation during the risk assessment process

DPAS ADEQUACY CRITERIA	
PROCESS	ADEQUACY CRITERIA
Contract Review and Order Acceptance	DPAS contracts are reviewed and orders properly accepted.
Requirements Flow-Down	DPAS requirements are flowed down, both internally and externally, throughout the supplier's supply chain.
Delay Notification	Notification of delays on rated orders, along with reason for delay, is provided in advance.
Preferential Scheduling	Preferential scheduling is used to ensure rated order scheduling over non-rated orders.

3.1.4.5. Producibility System Risk Assessment. Producibility system surveillance is performed in order to monitor the integrated processes and resources needed to successfully achieve producibility. Producibility risk assessment shall be conducted on suppliers with ACAT 1 and ACAT 2 contracts that have completed Milestone B and have not initiated Full rate Production. Risk assessments evaluate the adequacy of supplier producibility key processes. The Producibility System key processes requiring risk assessment and recurring surveillance are defined in Table 7. Table 7 also defines process adequacy criteria requiring evaluation during the risk assessment process. Technical Specialists may utilize recommended guidance for assessing Producibility process adequacy or utilize CMO derived guidance. Metrics for consideration in recurring surveillance efforts are also included in the recommended guidance.

Table 7. Mandatory Producibility System risk assessment and process adequacy criteria requiring evaluation during the risk assessment process

PRODUCIBILITY SYSTEM ADEQUACY CRITERIA	
PROCESS	ADEQUACY CRITERIA
Producibility Infrastructure Establishment	All functions of the organization are involved throughout the design process and collectively have the responsibility for new products.
Process Capability Determination	Process capability is understood, measured, controlled and documented.
Producibility Measurement	Producibility is addressed during every aspect of design and development in order to achieve affordable products that meet customer needs.
Manufacturing Design Input	Manufacturing is involved in all design phases and as products transition to final design. The design process ensures that every aspect of producibility has been addressed.

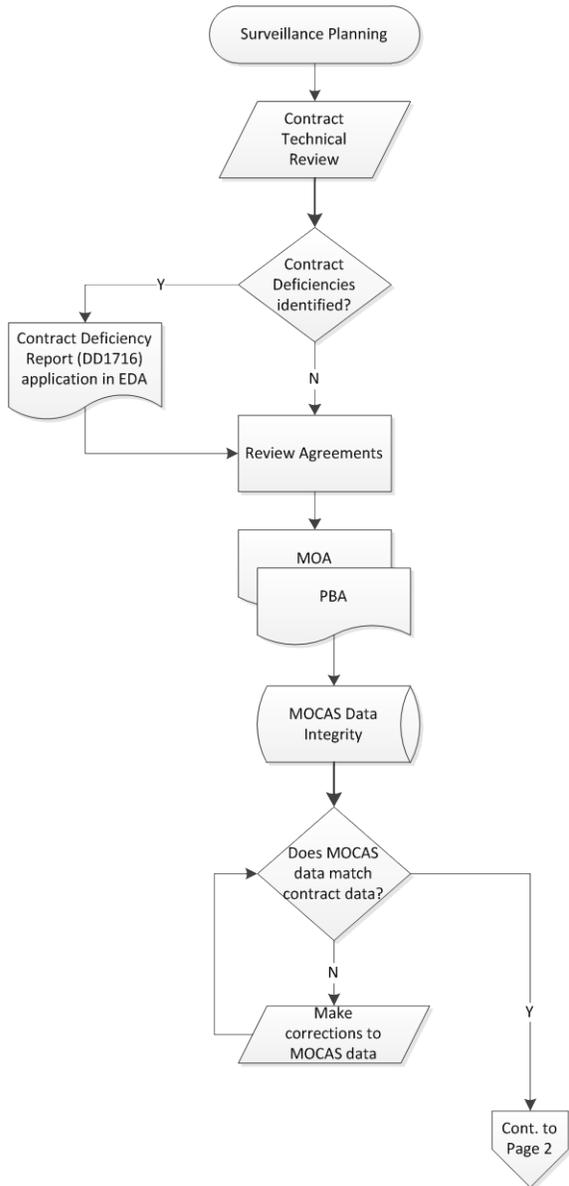
3.1.5. Determine Production Surveillance Category (PSC). PSC identifies the degree of production surveillance to be performed on a contract. PSC determination shall be accomplished utilizing the PSC Table and accurately reflected in MOCAS.

Table 8. Production surveillance category table

PRODUCTION SURVEILLANCE CATEGORY (PSC) TABLE					
Supplier has SCD A/B	SCD	Production Risk Analysis		PSC	Notes
		Consequence of Delay	Likelihood of Delay		
Yes	A	High	High	1	
			Moderate	1 or 2	
			Low	2	
Yes	B	Moderate	High	1 or 2	
			Moderate	2	
			Low	2 or 4	
Yes	C*	Low	High	4	Delivery Surveillance should be performed when 31 days past scheduled due date
			Moderate	4	
			Low	4	
No	C*	Low	High	4	No delivery surveillance required. Upon confirmation of final delivery, complete Contractor Performance History in MOCAS
			Moderate	4	
			Low	4	

* When Contracting Officer requests surveillance on SCD C contracts, the Technical Specialist should contact the customer regarding the requested level of surveillance and assign a PSC that is commensurate with the request.

Figure 1
Surveillance Planning Flowchart



References:

- DCMA Contract Receipt and Review Policy
- Contract Deficiency Report (DD1716) Application
- DFARS 242.1104
- DCMA Manufacturing Supplier Risk Assessment Tool (Geographic and Resident)
- DFARS 252.242-7004
- DCMA Corrective Action Request
- DCMA Continuous Improvement Opportunity
- DPAS 15 CFR 700

Acronyms:

- EDA – Electronic Document Access
- FAR – Federal Acquisition Regulation
- DFARS – Defense Federal Acquisition Regulation Supplement
- DPAS – Defense Priorities & Allocations System
- SCD – Defense Priorities and Allocations System
- CDRL – Contract Data Requirements List
- MOA – Memorandums Of Agreement
- PBA – Performance Based Agreements
- MOCAS – Mechanization Of Contract Administration Services
- MSRA – Manufacturing Supplier Risk Assessment
- ACAT – Acquisition Category
- PPC – Production Planning and Control
- CMO – Contract Management Office
- MMAS – Materials Management and Accounting System
- CAR – Corrective Action Request
- CIO – Continuous Improvement Opportunity
- Y – Yes
- N – No

Figure 1, page 1 of 4

Surveillance Planning Flowchart (cont.)

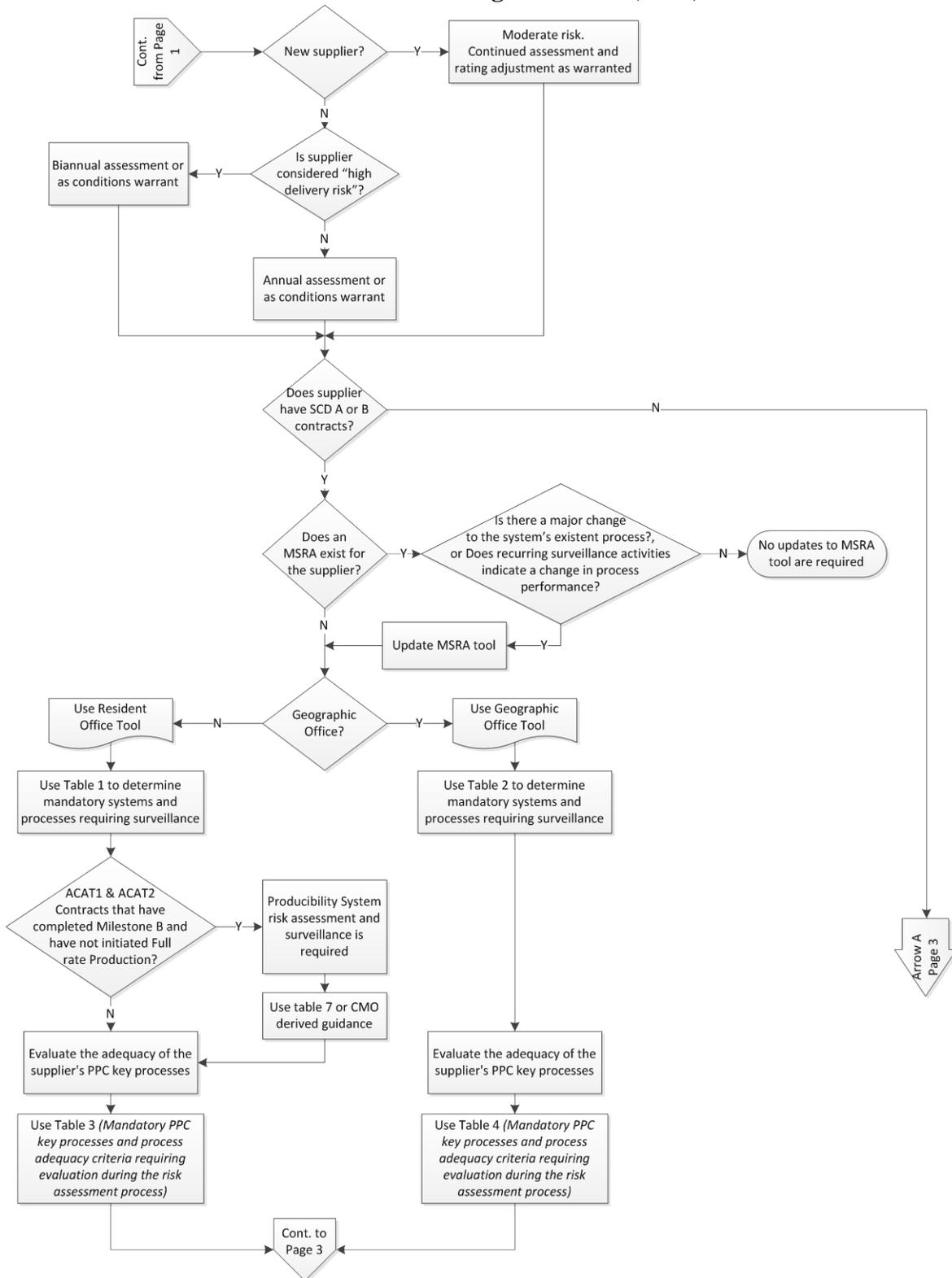


Figure 1, page 2 of 4

Surveillance Planning Flowchart (cont.)

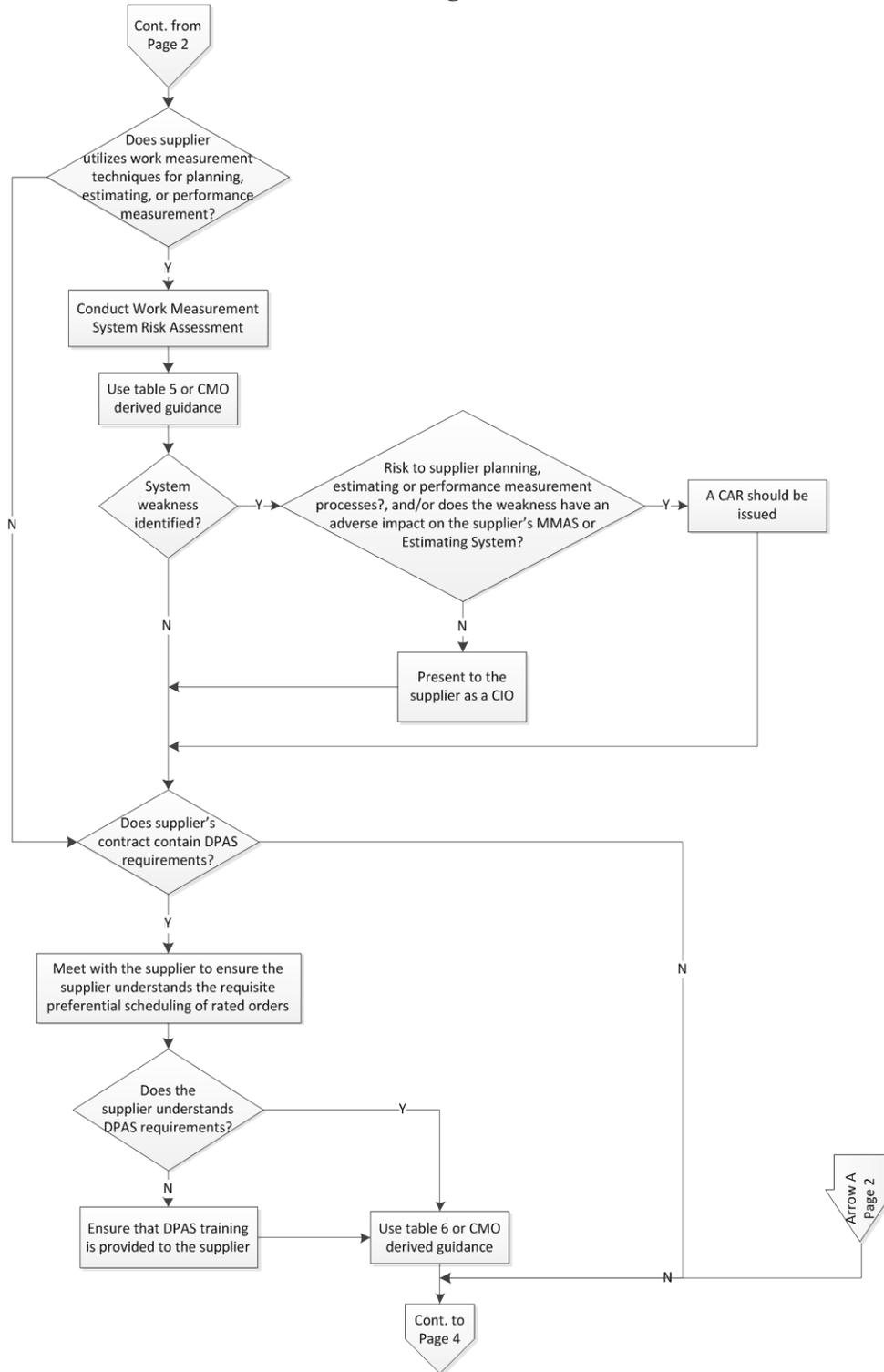


Figure 1, page 3 of 4

Surveillance Planning Flowchart (cont.)

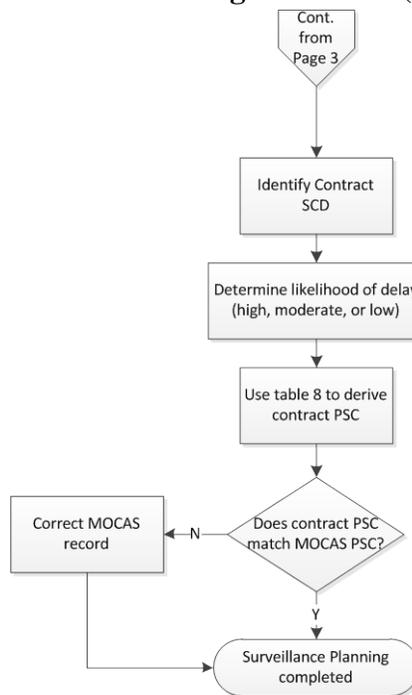


Figure 1, page 4 of 4

3.2. SURVEILLANCE EXECUTION AND DOCUMENTATION.

3.2.1. Document Production Surveillance Plan. Technical Specialists shall develop and maintain production surveillance plans for all suppliers awarded SCD A and/or B contracts and when Contracting Officers request surveillance of suppliers with only SCD C contracts (DFARS 242.1104, (Reference (b))). The production surveillance plan shall be applicable to all government contracts administered by DCMA and address:

- Surveillance strategies for monitoring PSC 1, PSC 2, and PSC 4 coded contracts.
- Surveillance strategies for special surveillance requirements (including those requested by the Contracting Officer, Program Integrator and delegations).
- Recurring key process surveillance activities resulting from manufacturing systems risk assessments.

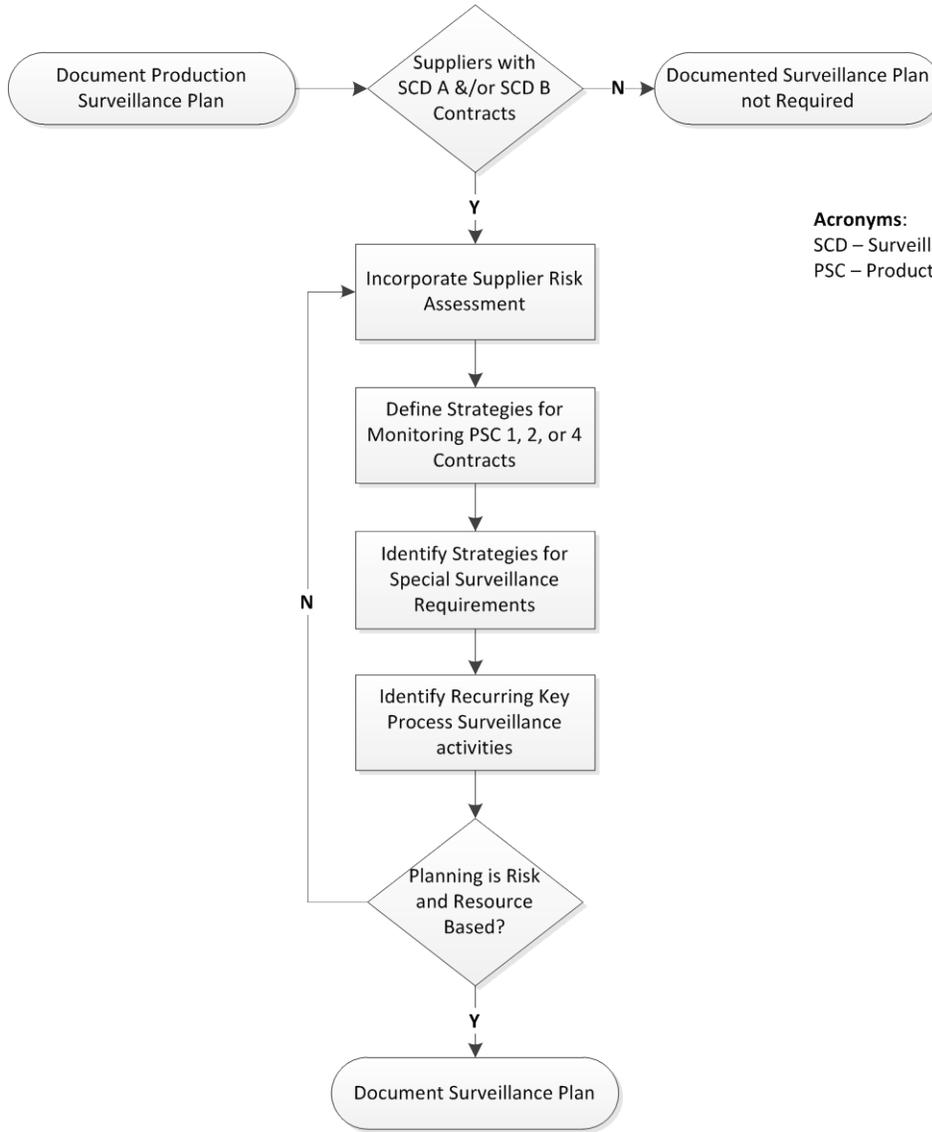
3.2.1. The manufacturing surveillance plan is a risk and resourced based plan and should be developed per paragraph 2.1 utilizing the MSRA and those CMO resources assigned to fulfill FAR 42.11 requirements (Reference (h)).

3.2.2. Surveillance plan documentation includes:

- DCMA and Supplier points of contact
- Surveillance activity
- Monitoring intervals
- Reference to where surveillance results are maintained
- Manufacturing Supplier risk assessment

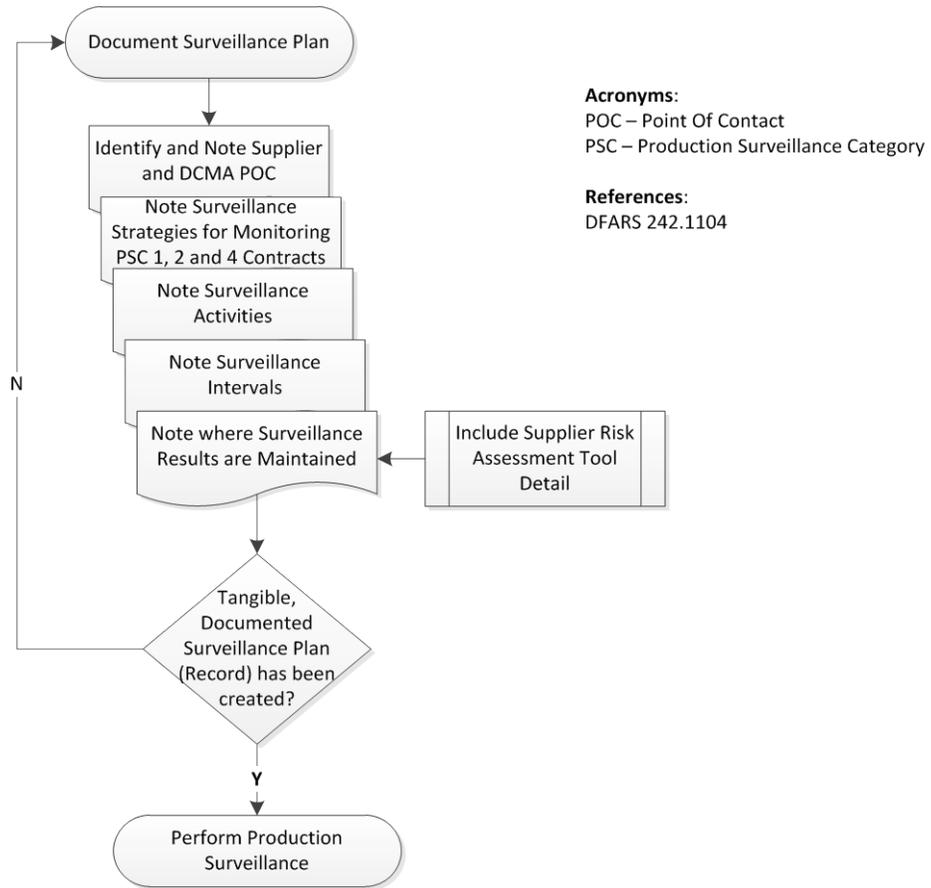
3.2.3. The manufacturing surveillance plan and results are considered record materials and treated as such in accordance with the DCMA Instruction, "Records Management" (Reference (i)). Additionally, all information created for DCMA use and delivered to or falling under the legal control of the CMO are Federal records and managed accordingly.

Figure 2
Document Production Surveillance Plan Flowchart



Acronyms:
SCD – Surveillance Criticality Designation
PSC – Production Surveillance Category

Figure 2a
Surveillance Plan Documentation Flowchart



3.2.4. Production surveillance is performed in accordance with the documented production surveillance plan, utilizing risk management principles. Production surveillance efforts include manufacturing surveillance, delivery surveillance (proactive and reactive), and special surveillance requirements for individual contracts (including any requirements identified by the Contracting Officer, Program Integrator, and delegations). Production surveillance activities are to ensure that suppliers:

- Have adequate manufacturing processes in place for contract execution
- Have established a manufacturing plan for contract execution
- Have adequate resources for plan execution
- Monitor their performance to plan, take corrective action, or make adjustments as necessary

3.2.5. In major program support environments, manufacturing surveillance is typically conducted in support of an overarching Program Surveillance Plan (PSP). The manufacturing surveillance requirements specified in this Instruction are applicable to all major program environments, including those where PSPs are utilized (FAR 42-302(a)(67) (Reference (j))). All manufacturing surveillance results which may have a material impact on programs should be provided to the Program Integrator (this includes those results from the PSP and results obtained through the execution of this Instruction).

3.2.6. Manufacturing Surveillance. Contracts bearing a PSC 1 or 2 shall include the following manufacturing surveillance actions:

- Review, evaluate, and monitor the supplier's plan for production. This includes schedule analysis to identify and monitor milestones, critical path, pacing events of production, and resourcing
- Evaluate and monitor supplier re-planning and corrective action efforts

3.2.6.1. These actions may be accomplished utilizing individual contract surveillance activities or utilizing PPC process surveillance with individual contract sampling. Although the required surveillance activities of PSC 1 and PSC 2 coded contracts are the same, the frequency and detail of surveillance activities of PSC 1 contracts is greater than that of PSC 2 contracts.

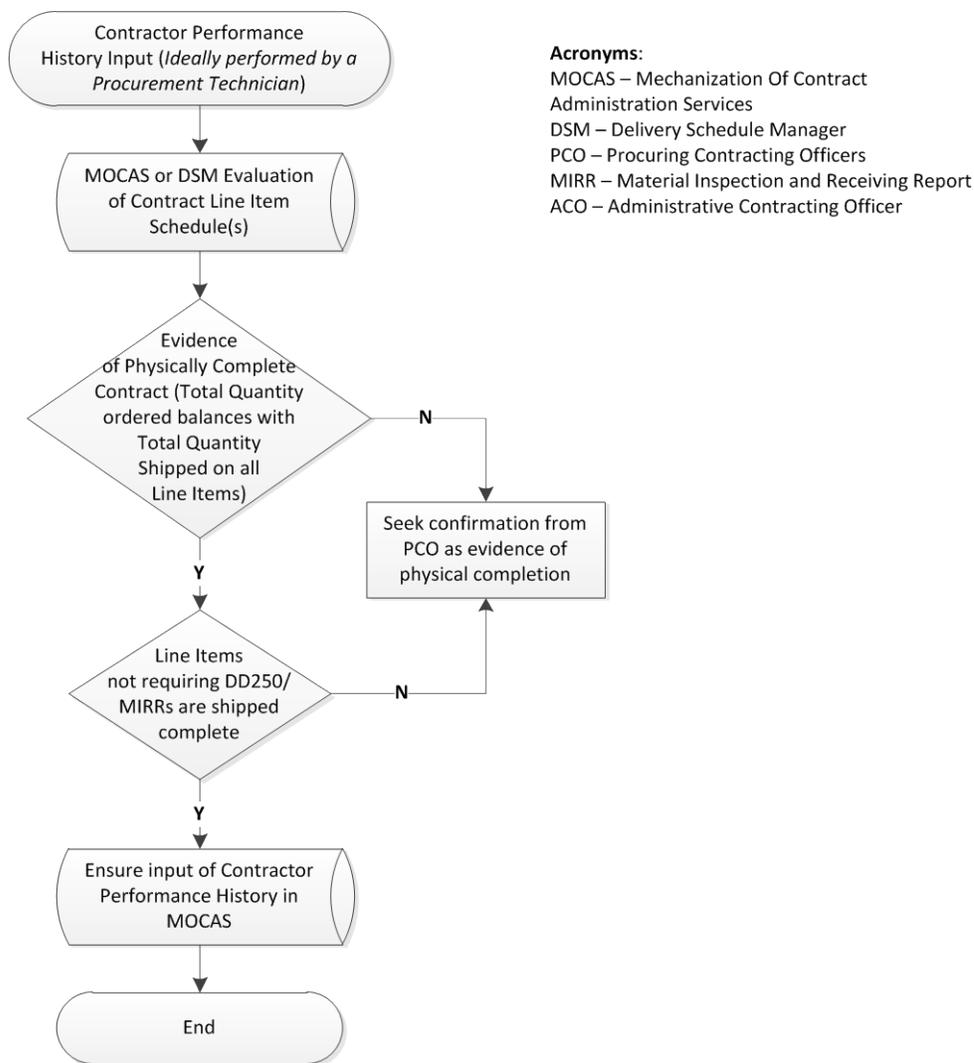
3.2.7. Delivery Surveillance. All contracts bearing a PSC 1 or 2 shall include proactive delivery surveillance activities that monitor contract progress and identify potential delinquencies. For SCD B contracts coded as PSC 4, the Technical Specialist shall perform proactive delivery surveillance, by monitoring contract progress and identifying potential delinquencies. Reactive delivery surveillance should be performed on SCD C contracts in supplier facilities with SCD A/B contracts. Customer notification of potential or actual delays is accomplished as described in paragraph 3.2.12., Delay Reporting.

Figure 3
Execute Plan – Production Surveillance Flowchart



3.2.8. Contractor Performance History Input. The Technical Specialist shall ensure the input of Contractor Performance History information in MOCAS for all contracts. Contractor Performance History information in MOCAS is input upon confirmation of final shipment, where total order quantity balances with the total shipped on all line items in MOCAS, and all line items not requiring DD Form 250, Material Inspection and Receiving Report, have been shipped complete. In cases where evidence of shipment is not readily obtainable, confirmation from the PCO may be used as evidence of physical completion. These activities should be performed by a Procurement Technician.

Figure 4
Contractor Performance History Input Flowchart



3.2.9. Development Program Surveillance. The surveillance requirements described in paragraphs 2.1 through 2.6 may be tailored to address the manufacturing development environment. The objectives of development surveillance activities are to evaluate and predict

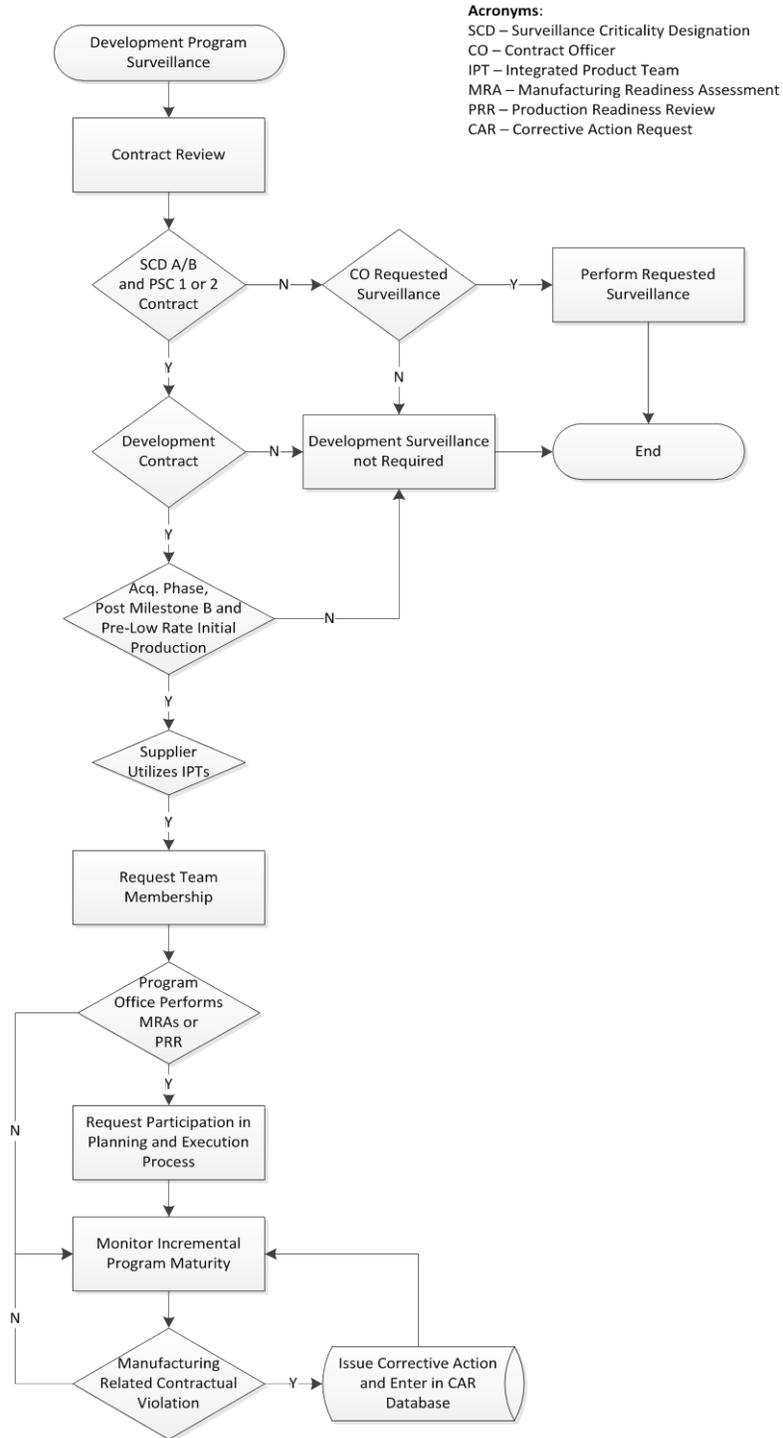
supplier performance with respect to the development of executable and affordable manufacturing processes. Development program surveillance shall monitor incremental program maturity throughout the development process, beginning with Milestone B and continuing through low rate initial production. Frequency and detail of surveillance activities should be commensurate with the assessed risks. When permitted by the supplier, the Technical Specialist should participate on supplier integrated program teams.

3.2.9.1. Development program surveillance activities are to ensure that suppliers:

- Have established a detailed manufacturing development plan for program execution
- Have adequate manufacturing producibility processes that facilitate an efficient and effective transition between acquisition phases
- Have adequate resources for plan execution
- Monitor their performance to plan, take corrective action or make adjustments as necessary

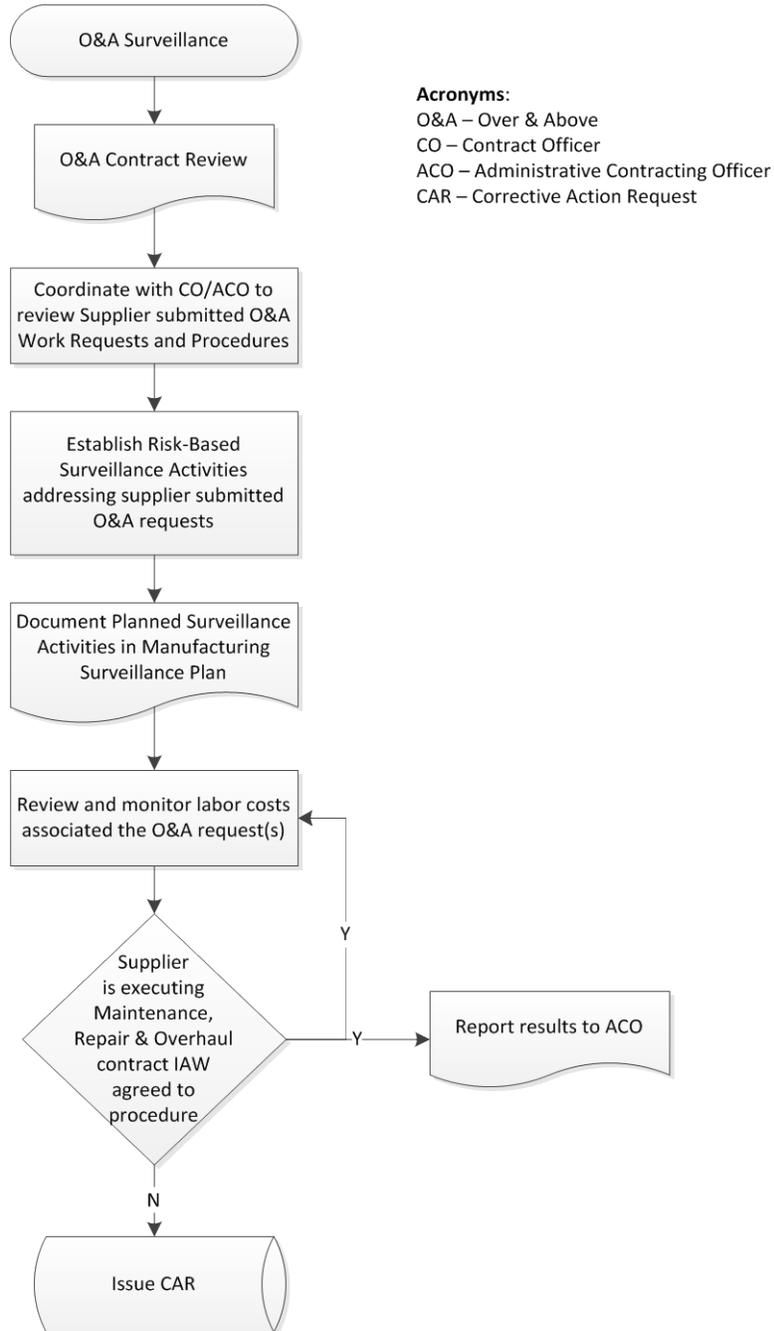
3.2.9.2. When Program Offices utilize the Manufacturing Readiness Level (MRL) criteria and conduct Manufacturing Readiness Assessments (MRA) the Technical Specialist should formally request participation in the planning and execution of the assessments. When the Program Office does not utilize the MRL process and instead conduct other review such as Production Readiness Review, the Technical Specialist should formally request to participate in the planning and execution of such readiness reviews.

Figure 5
Development Surveillance Flowchart



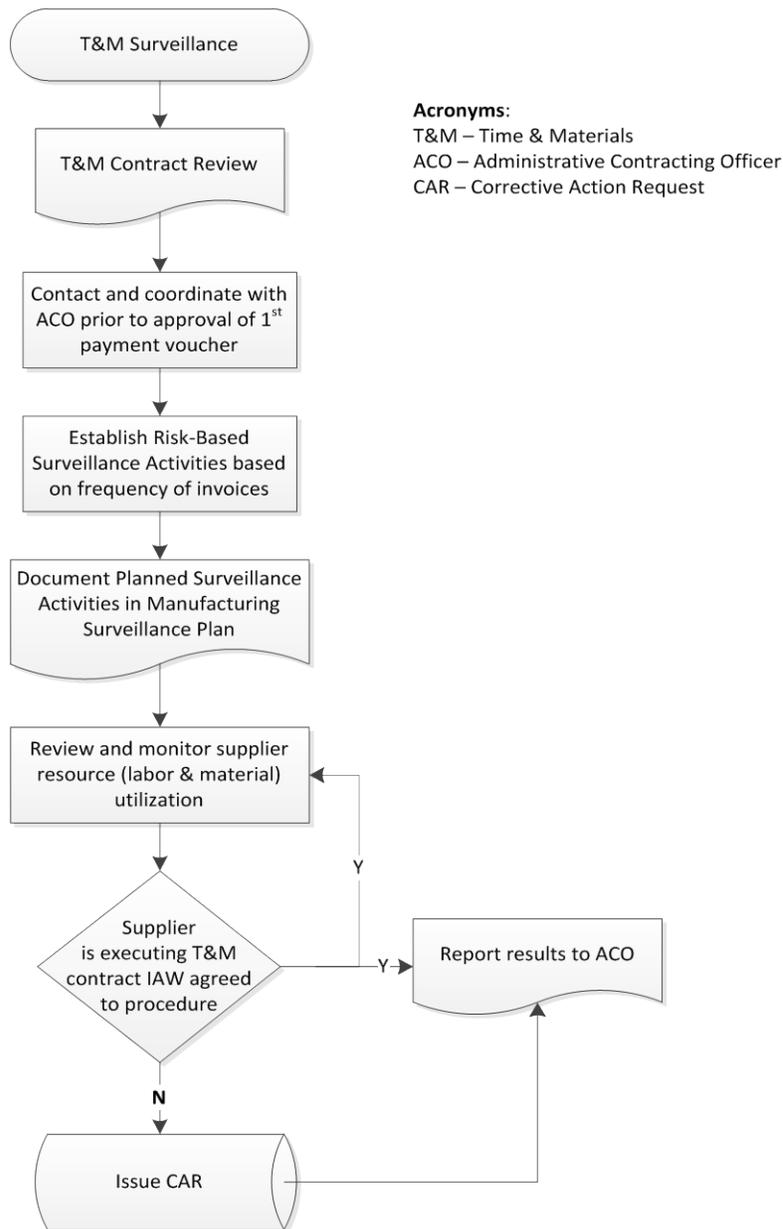
3.2.10. Over and Above (O&A) Surveillance. The Technical Specialist in coordination with the Contracting Officer, typically the Administrative Contracting Officer (ACO) should establish risk based surveillance activities addressing supplier submitted O&A work requests. Surveillance activities should address review of work requests received from the supplier and monitoring of labor hours and material costs associated with the O&A effort. The Technical Specialist should assure that the supplier is executing maintenance, repair and overhaul contracts in accordance with their documented procedure as agreed to between the ACO and the supplier.

Figure 6
Over & Above Surveillance Flowchart



3.2.11. Time and Materials Surveillance. Following contract review and prior to the approval of the first payment voucher, the Technical Specialist (in coordination with the ACO) should establish risk activities for Time and Material contracts. Surveillance activities should include scheduled observations by the Technical Specialist based on the frequency of invoices, to ensure efficient utilization of resources including labor and material. The Technical Specialist should assure that the supplier is executing time and material contracts in accordance with their documented process.

Figure 7
Time & Material Surveillance Flowchart



3.2.12. Delay Reporting. Using the knowledge and information gained during surveillance efforts, the Technical Specialist shall provide customer organizations with written notification of delivery delays (FAR 42-302(a)(31)) (Reference (k)), in advance of schedule due date, using the Delivery Schedule Manger (DSM) eTOOLS application. If the delay is unexpected and may result in an immediate high risk to the customer, the CMO should use the fastest notification method available and ensure receipt by the customer. The CMO should follow-up by inputting the notification into DSM. While notification of actual delays is beneficial, surveillance should also focus on identifying potential delays to provide delay notification well in advance of contractually required delivery dates. Delay Notices shall include:

- Clear descriptions of the reasons for delay based on independent DCMA surveillance and analysis
- Delay codes applicable to the conditions causing the delay
- Forecasted recovery dates
- DCMA analysis of the supplier corrective action. Also, any government actions that are needed
- Action proposed by supplier to correct the immediate problem and eliminate the root cause
- Independent, value added responses that provide useful information
- Government actions being taken or needed to reduce or avoid further delays
- Recommendations that enable customers to make informed business decisions

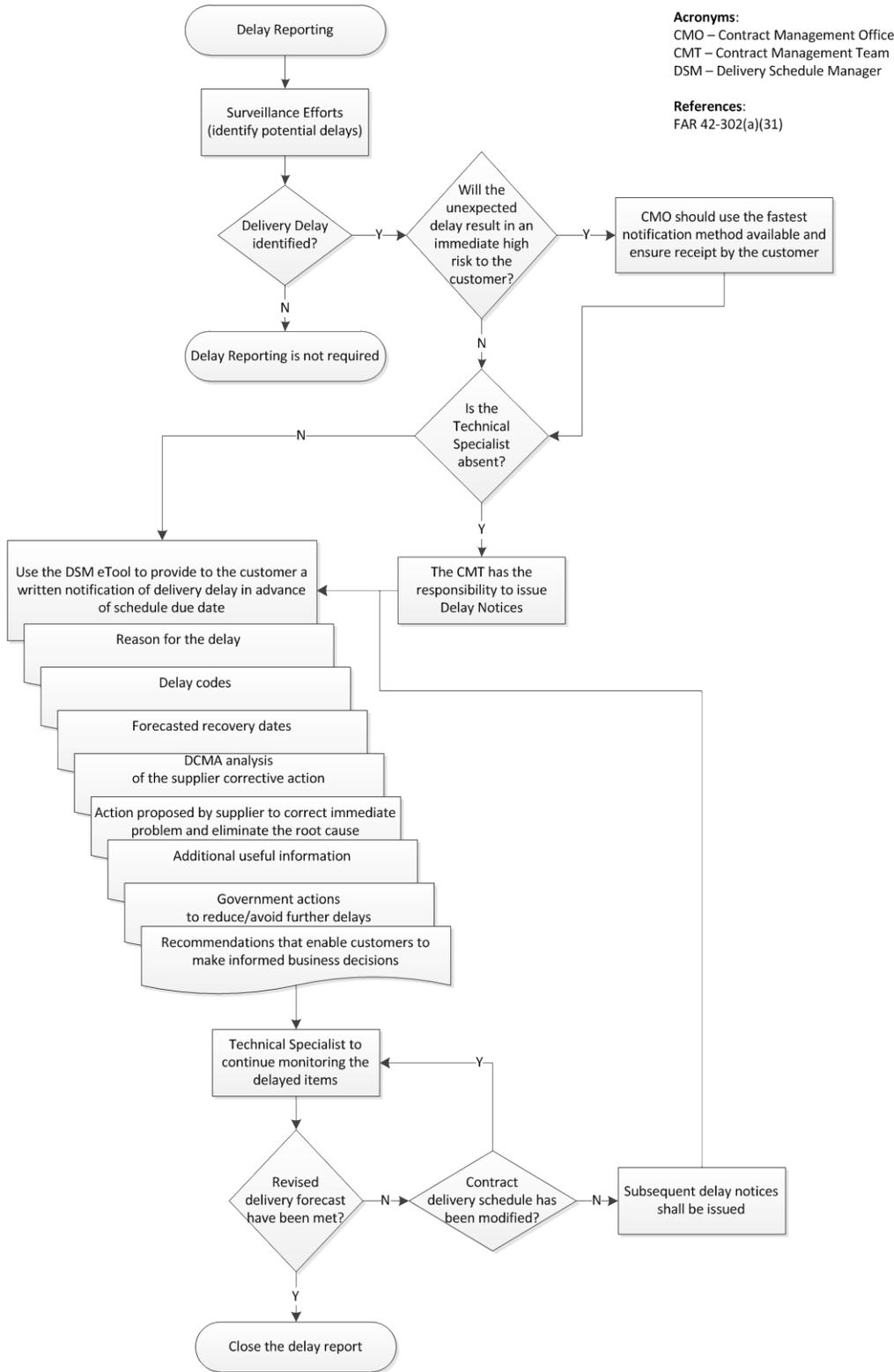
3.2.12.1. When revised delivery forecasts have not been met and the contract delivery schedule has not been modified, subsequent delay notices shall be issued to maintain the currency of delivery status with the customer.

3.2.12.2. In the absence of the Technical Specialist the Contract Management Team (CMT) has the responsibility to issue Delay Notices.

3.2.12.3. The CMO should establish a process to maintain the integrity of the DSM tool suite. Changes regarding team make up shall be provided to the local CMT Administrator so that changes to the CMT Locator can be made.

3.2.12.4. Waiver in the use of the DSM as the vehicle for delay notification, and capturing customer requests and responses is prohibited.

Figure 8
Delay Reporting Flowchart

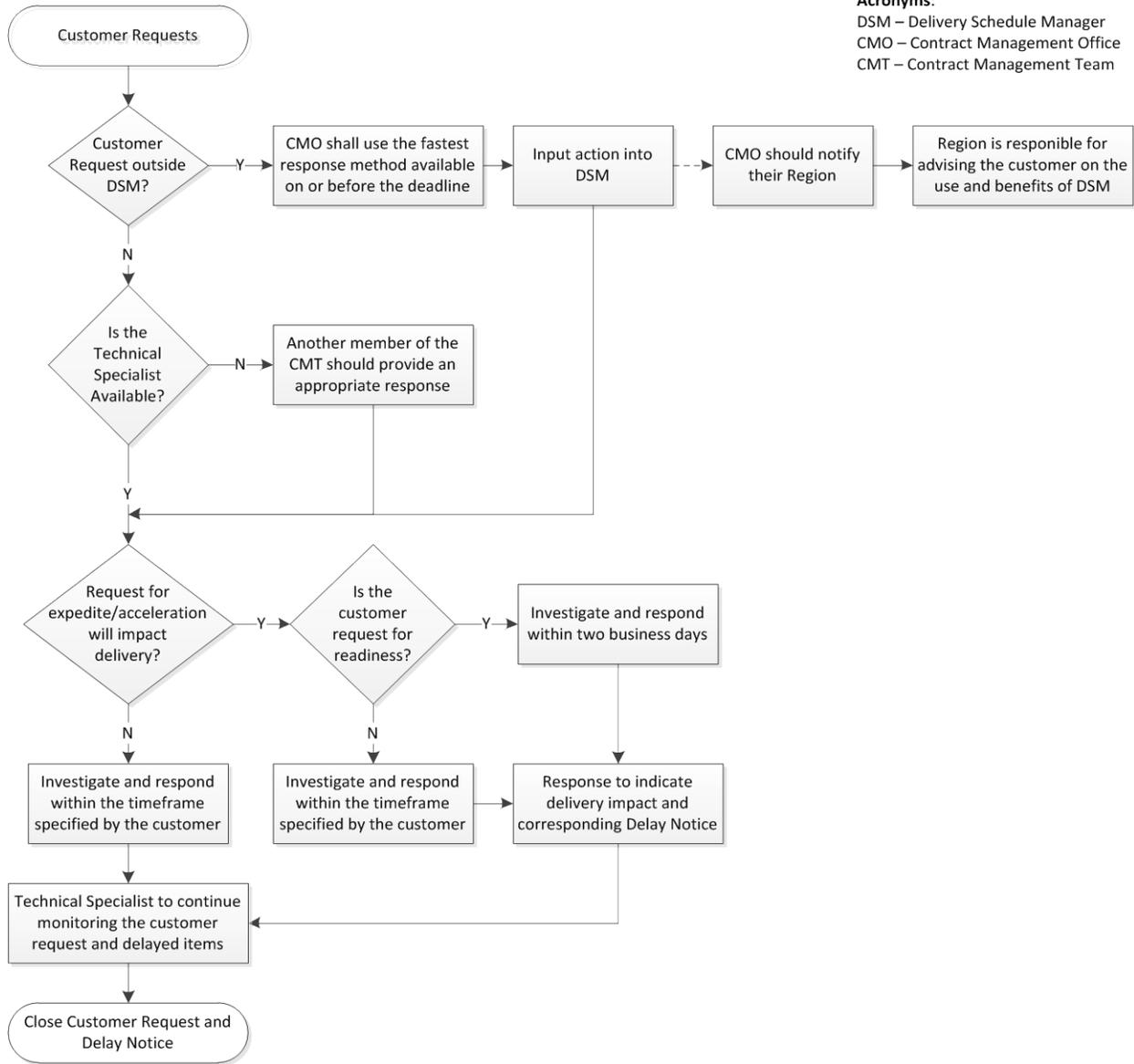


3.2.13. Customer Requests. Customer Requests should be answered with timely, independent and value added responses and information/recommendations that enable customers to make informed business decisions. Customer requests should be investigated and monitored; specifically, when a customer's request for expedite/acceleration will impact the delivery of other work. The response should indicate this as an impact and an appropriate corresponding Delay Notice issued. Requests shall be answered within the timeframe specified by the customer. Regardless of the suspense date specified, if the request is for readiness, a two business day reply time is required.

3.2.13.1. When the Technical Specialist is not immediately available to provide the requested assistance, another member of the CMT should provide an appropriate response. When the customer does not choose to use the DSM tool suite or DSM is not available to the Customer, the CMO should notify their Region. The Region is responsible for advising the customer on the use and benefits of DSM. The cognizant Customer Liaison Representative can also assist with the customer's introduction to the Customer Request process.

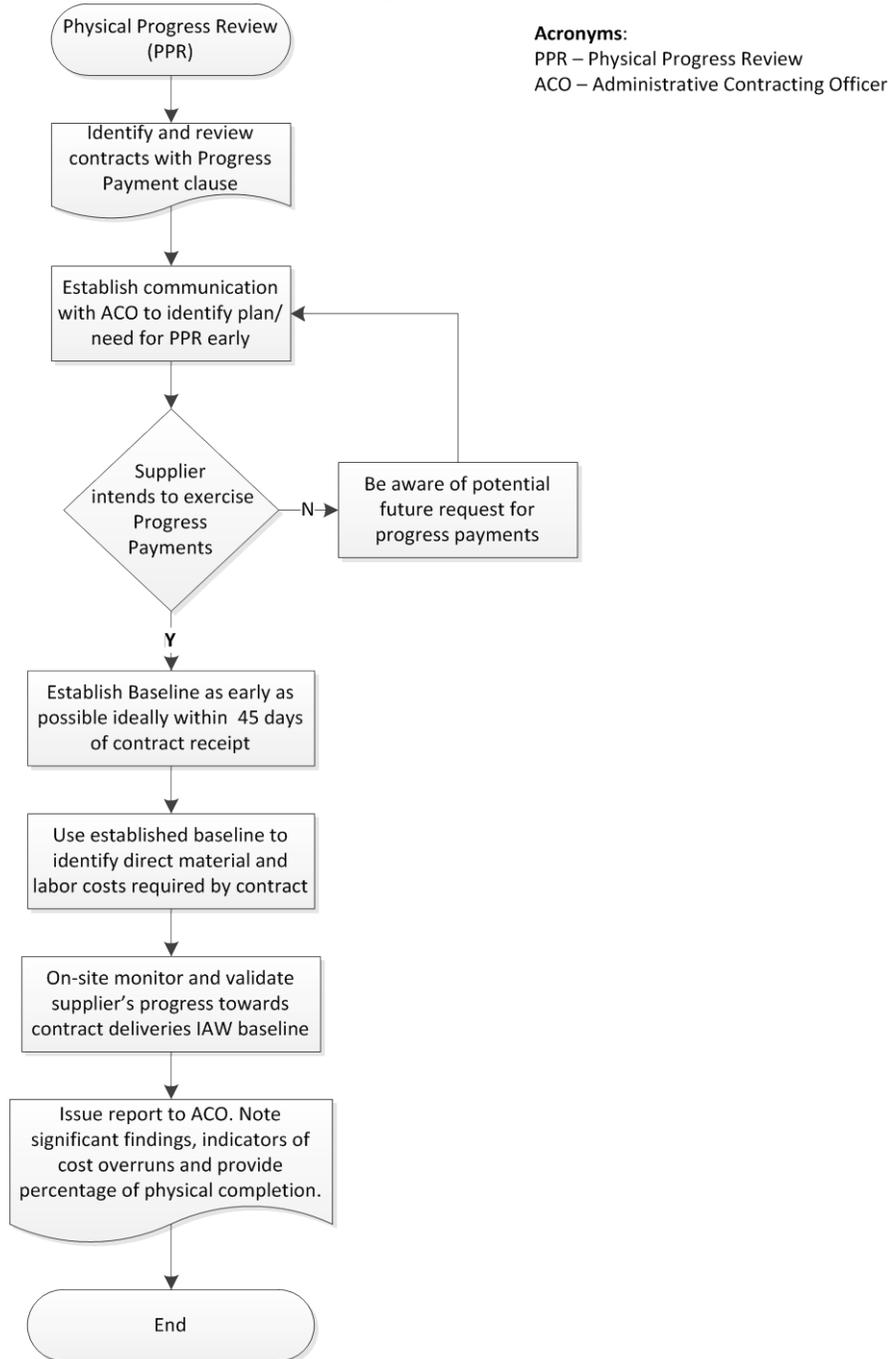
3.2.13.2. If the customer makes a request outside of DSM, the CMO shall use the fastest response method available to answer the request on or before the Customer imposed deadline and input the action into DSM.

Figure 9
Customer Requests Flowchart



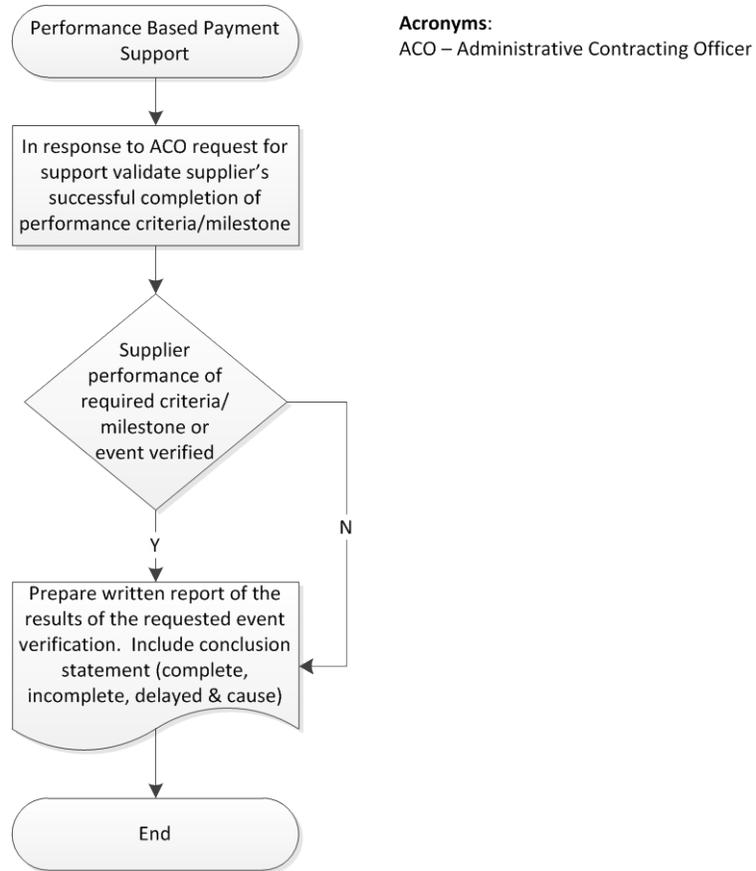
3.2.14. Physical Progress Reviews. Within 45 days of contract receipt, the Technical Specialist should develop a baseline, for those suppliers exercising the Progress Payment clause. If the supplier maintains an approved Progress Payment System, physical progress reviews are performed as requested by the ACO. The Technical Specialist shall utilize the established baseline to identify the direct cost value of items or services (direct material and labor) required by the contract and monitor and validate the supplier's progress towards achieving contract deliveries in accordance with the baseline.

Figure 10
Physical Progress Reviews Flowchart



3.2.15. Performance Based Payments. When requested by the ACO, the Technical Specialist should validate the supplier's completion of the successful performance criteria or event/milestone which is being requested for payment, by providing a written report of the results of the requested event verification with a conclusion statement attesting to the status of the event (e.g., complete, incomplete, delayed, and cause).

Figure 11
Performance Based Payment Support Flowchart



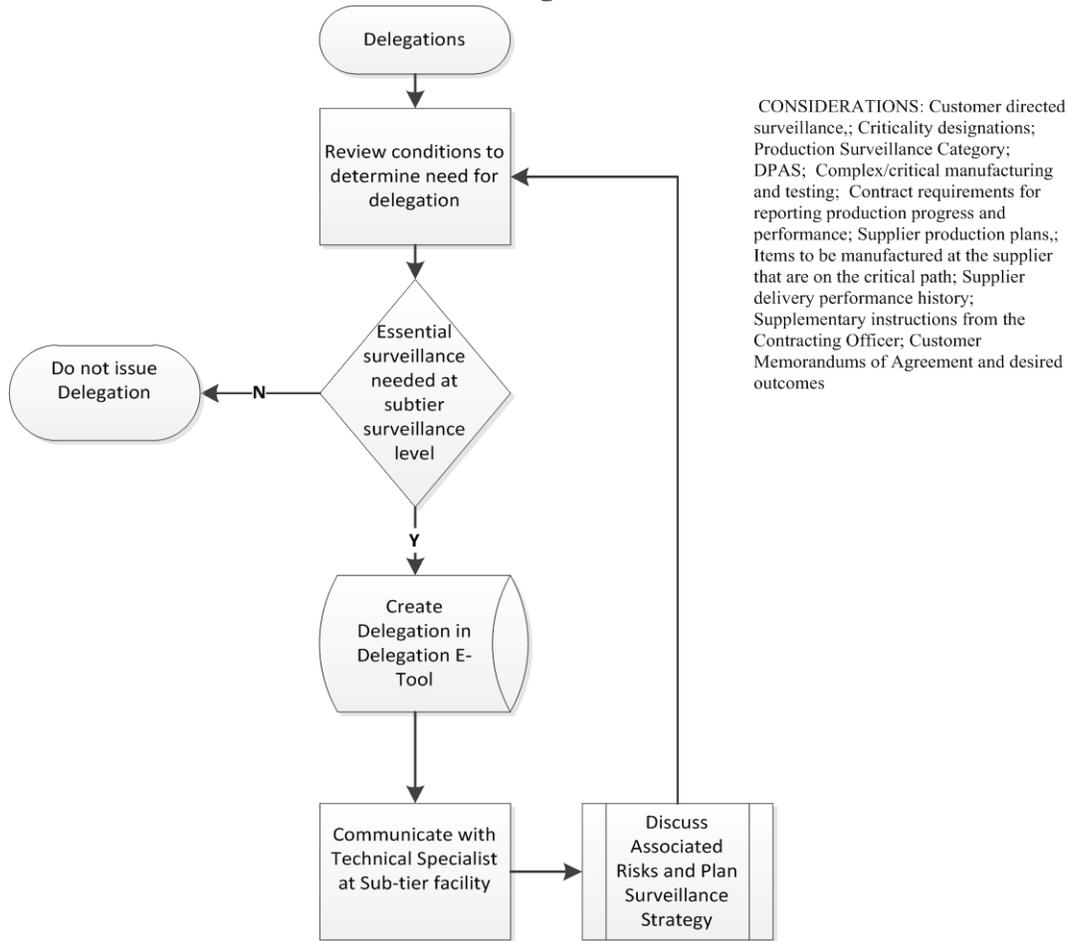
3.2.16. Delegations. The Technical Specialist shall initiate delegations at sub-tier levels as appropriate to monitor progress towards delivery of products and services, utilizing the Delegation eTool application.

3.2.16.1. Prior to requesting surveillance of subcontracted supplies or services, the Technical Specialist should assure that surveillance is essential to contract performance and may only be adequately accomplished through direct DCMA involvement at the sub-tier supplier level. Considerations for determining the need for issuing subcontract delegations include:

- Customer directed surveillance
- Criticality designations
- Production Surveillance Category
- DPAS
- Complex/critical manufacturing and testing
- Contract requirements for reporting production progress and performance
- Supplier production plans
- Items to be manufactured at the supplier that are on the critical path
- Supplier delivery performance history
- Supplementary instructions from the Contracting Officer
- Customer Memorandums of Agreement and desired outcomes

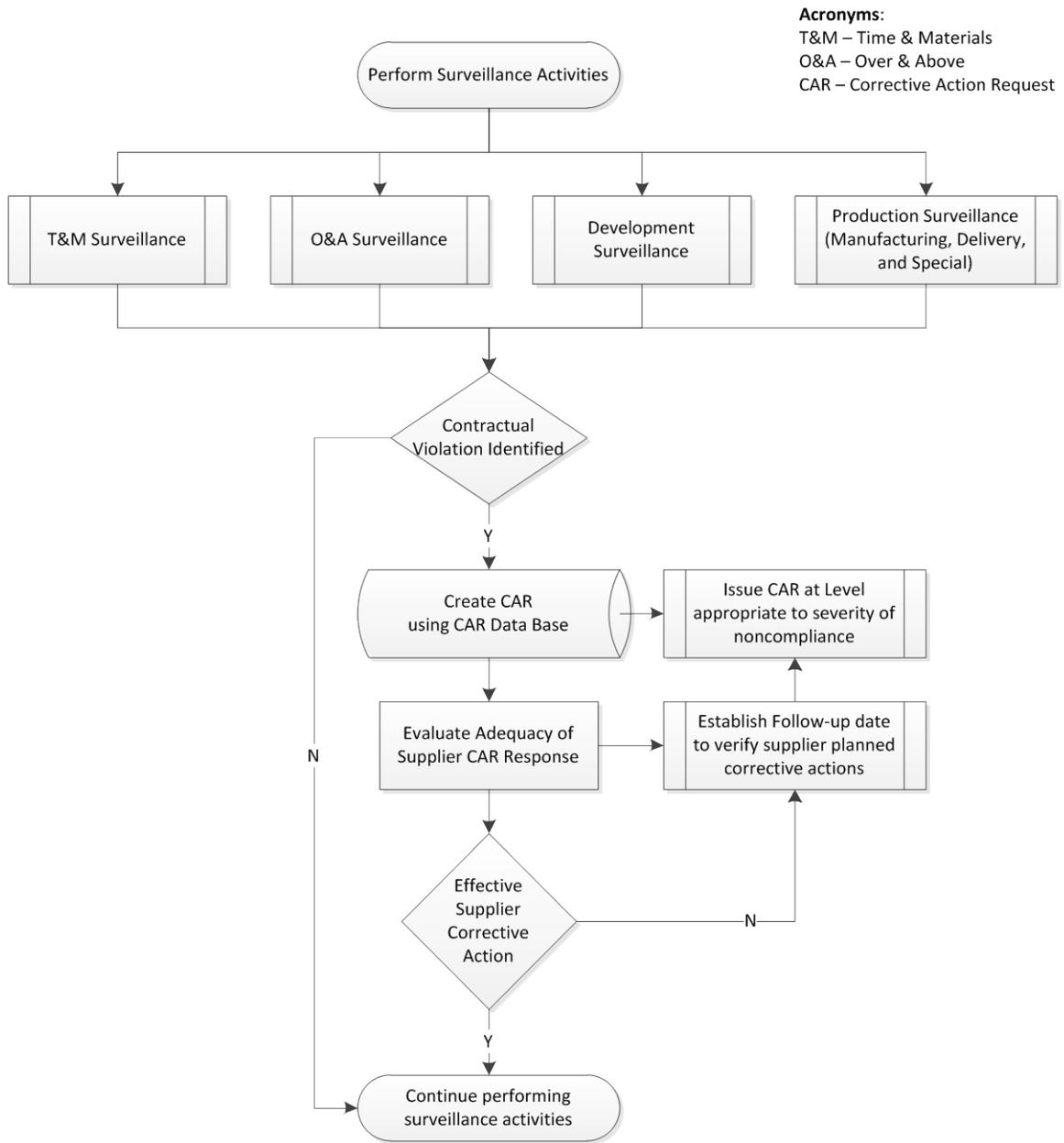
3.2.16.2. The Technical Specialist should make every attempt to establish communication with the Technical Specialist at the sub-tier supplier facility to discuss the associated risks and plan an appropriate surveillance strategy.

Figure 12
Delegation Flowchart



3.2.17. Manufacturing Corrective Action Requests. Contractual violations shall be communicated to the supplier using a written CAR through the CAR v1.0 eTool. CAR levels are based on the severity of the non-compliance, supplier responsiveness to previous corrective action requests, and recurring non-compliance. Level II CARs are issued to the supplier management level responsible for initiating corrective action. The Technical Specialist should determine the adequacy of the supplier’s CAR response and establish a follow-up date to verify implementation of supplier corrective action.

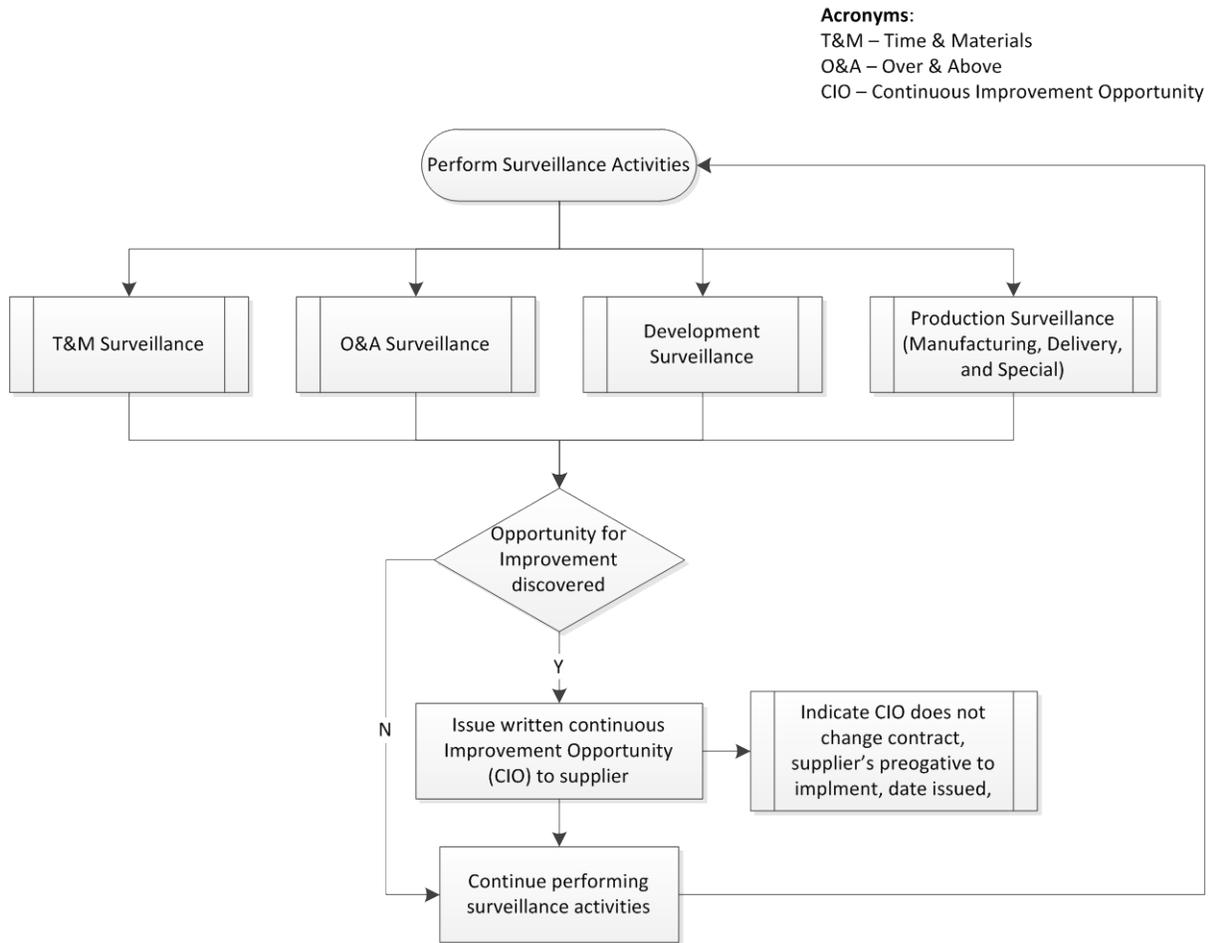
Figure 13
Corrective Action Requests Flowchart



3.2.18. Continuous Improvement Opportunities (CIO). The Technical Specialist may discover practices or conditions that if changed could improve supplier operations, warranting issuance of a CIO to the supplier. CIOs are not contractual and does not result in constructive change to existing contract requirements. CIOs issued to the supplier in writing and include:

- Entry that the CIO does not change contract requirements
- An acknowledgement that implementing the CIO is the sole prerogative of the supplier
- A stipulation that the supplier will assume all costs associated with implementation
- Date issued
- Name of Technical Specialist (issuer)

Figure 14
Continuous Improvement Opportunities Flowchart

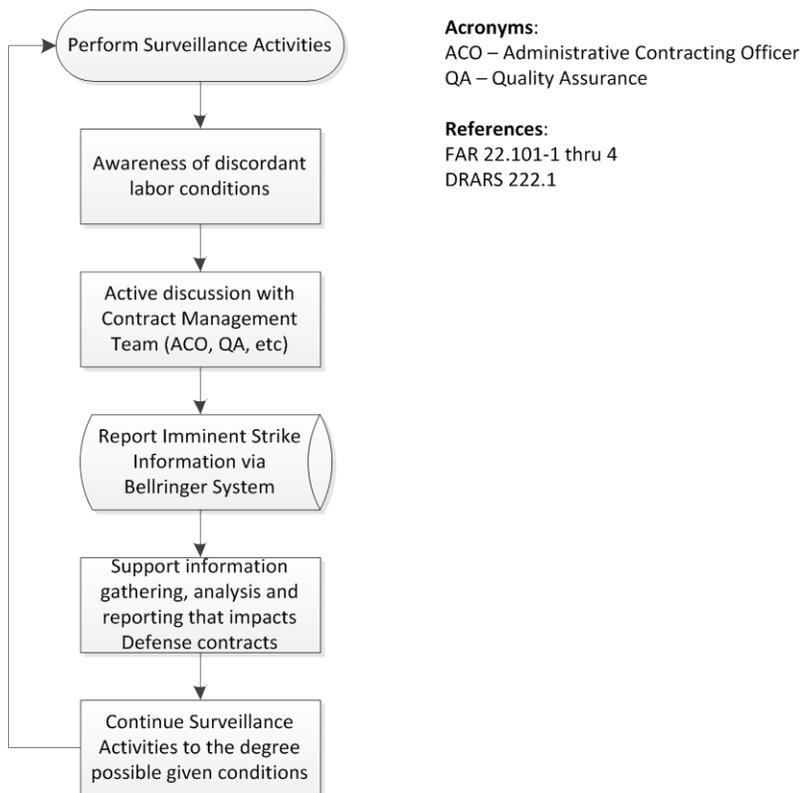


3.2.19. Industrial Labor Relations. General policies regarding industrial labor relations are contained in FAR 22.101-1 thru 4 and DFARS 222.1 (Reference (l) and (m)).

3.2.19.1. Technical Specialists, involved with in-plant activities, who become aware of discordant labor situations and labor negotiations will engage in active discussion with their CMT. Imminent strike information shall be reported by the Technical Specialist in accordance with the DCMA Bellringer Reporting Instruction.

3.2.19.2. Technical Specialists, associated with the strike affected facilities, should be prepared to support information gathering, analysis and reporting associated with work stoppages that impact Defense contract fulfillment.

Figure 15
Industrial Labor Relations Flowchart



GLOSSARY

ACRONYMS

ACAT	Acquisition Category
ACO	Administrative Contracting Officer
CAR	Corrective Action Request
CDRL	Contract Data Requirements List
CIO	Continuous Improvement Opportunity
CMO	Contract Management Office
CMT	Contract Management Team
DFARS	Defense Acquisition Regulations System
DPAS	Defense Priorities and Allocations System
DSM	Delivery Schedule Manager
EDA	Electronic Document Access
FAR	Federal Acquisition Regulations
MRL	Manufacturing Readiness Level
MOA	Memorandums of Agreement
MOCAS	Mechanization of Contract Administration Services
MRSA	Manufacturing Supplier Risk Assessment
O&A	Over and Above
PBA	Performance Based Agreements
POC	Point of Contact
PSC	Production Surveillance Category
PPC	Production Planning and Control
PSP	Program Surveillance Plan
SCD	Surveillance Criticality Designation