



DCMA Instruction 2101

Product Acceptance and Proper Payments

Office of Primary Responsibility

Product Acceptance and Proper Payments Capability

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New Issuance

Incorporates and Cancels: DCMA-INST 102, "Progress Payments Based On Cost," August 20, 2013, as amended
DCMA-INST 106, "Public Vouchers," July 31, 2013, as amended
DCMA-INST 113, "Voluntary Refunds," July 1, 2013
DCMA-INST 116, "Performance-Based Payments," August 18, 2014
DCMA-INST 128, "Disallowance of Cost," December 4, 2013
DCMA-INST 136, "General Payment Support," September 24, 2014
DCMA-INST 302, "First Article and Production Lot Testing," December 17, 2013
DCMA-INST 304, "Packaging Management Program," May 2, 2013
DCMA-INST 310, "Inspection Stamping," May 2, 2013, as amended
DCMA-INST 312, "Standard Inspection Requirements," May 15, 2013, as amended
DCMA INST 314, "Product Acceptance and Release," January 17, 2013

DCMA-INST 316, "Delegate Surveillance – QA," September 2010
DCMA-INST 319, "Transportation and Traffic Management,"
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Approved by: David H. Lewis, VADM, USN, Director

Purpose: This issuance, in accordance with the authority in DoD Directive 5105.64:

- Establishes policy, assigns responsibilities and provides direction to DCMA on the acceptance of products and services, payments on those accepted products, the packaging and transportation of those products and the delegation of surveillance in the development of those supplies.
- Establishes a series of Product Acceptance and Proper Payment capability procedural manuals (DCMA-MAN 2101-01 "Acceptance of Supplies and Services," 2101-02 "Payments," 2101-03 "Packaging and Transportation Management," and 2101-04 "Delegate Surveillance") that document Product Acceptance and Proper Payments processes and provide implementation guidance.

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SECTION 1: GENERAL ISSUANCE INFORMATION

1.1. APPLICABILITY. This issuance applies to all DCMA organizational activities performing or enabling contract administration services (CAS) support on U.S. Government, DoD and Foreign Military Sales contracts, and in support of non-DoD and International Government CAS reimbursable and non-reimbursable delegations.

1.2. POLICY. It is DCMA policy to:

a. Ensure economic price adjustments, final vouchers, contract finance payments, and interim contract finance payment requests are accurately stated and compliant to the terms and conditions of the contract; request and accept voluntary refunds; and payment of invoices in accordance with applicable payment clauses in a timely basis.

b. Accept products and services tendered by contractors when there is basis of confidence that products and/or services fulfill the terms and conditions of the contract. Reject non-conforming products and services not fulfilling the terms and conditions of the contract.

c. Ensure contractors adequately package and mark purchased and work in progress items preventing damage, loss, or delay during shipment and storage. When necessary, recommend changes to the procurement activity when specified packaging requirements will not adequately protect products to be shipped and/or stored.

d. Support DoD Transportation and Traffic Management efforts facilitating prompt delivery of products and equipment from DoD manufacturers, suppliers, and contractors' facilities to selected locations worldwide.

e. Execute this Instruction in a safe, efficient, effective and ethical manner.

1.3. OVERVIEW. DCMA's Product Acceptance and Proper Payments capability is a collaborative and responsive effort of ensuring all payments made to contractors are appropriately distributed at completion of contractually defined events, and at product acceptance. Contractor payments are authorized on a basis of confidence and verification that contractual events have been met and acceptance of products and services can be performed.

SECTION 2: RESPONSIBILITIES

2.1. DIRECTOR, DCMA. The DCMA Director will:

- a. Establish and maintain a Product Acceptance and Proper Payments capability for the Military Departments, Defense Agencies, and DoD Field Activities who delegate contract administration and oversight responsibilities to DCMA.
- b. Establish and maintain a Product Acceptance and Proper Payments capability in support of non-DoD and International Government CAS reimbursable and non-reimbursable delegations.

2.2. DCMA COMPONENT HEADS/CAPABILITY MANAGERS. The assigned DCMA Component Heads/Capability Managers will:

- a. Develop and maintain Agency policy issuances (e.g., DCMA Manual (DCMA-MAN)) necessary to document the processes and procedures to allow for standard, repeatable work across the enterprise.
- b. Develop relevant information requirements associated with the Product Acceptance and Proper Payments capability, providing reportable compliance and performance information.
- c. Develop, maintain, and determine performance and compliance measures for the Product Acceptance and Proper Payments capability.
- d. Support the Agency activities focused on business process reengineering (BPR) efforts for enabling and improving this capability.
- e. Determine and maintain workforce knowledge, skills, and competencies necessary for carrying out this capability in the Agency's field activities.

2.3. OPERATIONAL COMPONENT HEADS. All operational Component Heads (includes Eastern, Central, and Western Regions, International, and Special Programs) will:

- a. Ensure implementation of this Instruction in assigned area of operations as published in DCMA policy issuances (e.g., DCMA-MANs).
- b. Evaluate Agency operational compliance and performance related to the Product Acceptance and Proper Payment capability and seek continuous internal improvements.

2.4. CONTRACT MANAGEMENT OFFICE COMMANDERS/DIRECTORS AND CENTER DIRECTORS. The Commanders/Directors will:

- a. Establish and oversee the day-to-day planning and resource requirements necessary to conduct the activities associated with the Product Acceptance and Proper Payment capability in accordance with approved Agency processes and procedures.

b. Monitor performance and seek opportunities to improve or correct internal operations associated with executing Product Acceptance and Proper Payments.

c. Produce data and reports on the metrics developed for this capability.

SECTION 3: GENERAL PROVISIONS

3.1. CAPABILITY DESCRIPTION. Conforming goods and services and accurate payments are the ultimate end states expected by all acquisition professionals, DoD leaders, and U.S. taxpayers. The Product Acceptance and Proper Payments capability facilitates achievement of the ultimate end states by assuring contractors receive payments reflecting the contractual value of the end item or service, taking into account discounts for product non-conformance, late delivery, and/or other contractual noncompliance where price adjustments or other consideration is deemed cost effective and appropriate. The value DCMA expects to demonstrate through this capability includes:

- a. Holding contractors accountable by ensuring payments are based on contractors' effective performance to the terms and conditions of the contract.
- b. Ensuring the accurate accounting of DoD acquisition dollars from contract award through contract closeout.
- c. Ensuring all cost considerations are factored, resulting in the proper equitable payment for products and services.
- d. Supporting transfer of title upon "Accepting" product and services on behalf of the Government.

3.2. ACTIVITIES. Major activities needed to establish confidence for Product Acceptance and Proper Payments may include:

- a. Assessment of the contractor's procedure for tendering conforming products and services.
- b. Analysis of contract surveillance execution results.
- c. Analysis of business system reviews.
- d. Criticality determinations prompting requests for price adjustment (e.g., discounts) and or other considerations.
- e. Contract finance support/progress verification.
- f. Packaging and transportation support.
- g. Program assessment reporting.
- h. Delegations.

3.3. PRODUCTS. Major products associated with the Product Acceptance and Proper Payments capability may include:

a. System of Record for Receiving Reports (RR)/Repairable Receiving Reports (RRR)/DD Form 250, "Material Inspection and Receiving Report."

b. Requests for Variance (RFV).

c. Non-Conforming Material (NCM) dispositions.

d. Corrective Action Reports (CAR).

e. Transportation and payment authorizations.

f. Delinquency (late delivery) notifications.

g. Delegations.

GLOSSARY

G.1. DEFINITIONS.

BPR. The fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance, such as cost, quality, service, and speed.

Contract financing payments. Authorized Government disbursement of monies to a contractor prior to acceptance of supplies or services by the Government.

DCMA-MAN. Doctrine designed for communicating the “how to” processes needed to execute parent DCMA Instruction (DCMA-INST).

Interim contract finance. Any payment that is not a commercial advance payment or a delivery payment given for prompt payment purposes after some work has been completed IAW contract requirements.

NCM. Any item, part, supplies, or product containing one or more defects.

Operational Component Heads. Includes Eastern, Central, and Western Regional Commands, and International, and Special Programs Directorate.

RFV. The information by which a manufacturer or supplier requests permission to depart from the products definitions requirements information for a specific unit, a specific number of units, or a specific period of time without requiring revisions of the product definitions information.

Voluntary Refunds. A voluntary refund is a payment or credit to the Government from a contractor or subcontractor when the government has been overcharged or undercompensated. Voluntary refunds are remedies not required by a contractual or other legal obligation. Voluntary refunds can be solicited or unsolicited.

G.2. ACRONYMS.

BPR	Business Process Reengineering
CAS	Contract administration service
DCMA MAN	DCMA Manual
NCM	Non-conforming material
RFV	Request for variance

REFERENCES

- DCMA Manual 2101-01, "Acceptance of Supplies and Services," TBD
- DCMA Manual 2101-02, "Payments," TBD
- DCMA Manual 2101-03, Packaging and Transportation Management," TBD
- DCMA Manual 2101-04, "Delegate Surveillance," July 30, 2018
- DoD Directive 5105.64, "Defense Contract Management Agency (DCMA), January 10, 2013