



# DCMA Instruction 2301

## Evaluating Contractor Effectiveness

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**Office of Primary  
Responsibility**

**Contractor Effectiveness Capability**

**Effective:  
Change 1 Effective:**

January 24, 2019  
June 16, 2020

**Releasability:**

Cleared for public release

**New Issuance**

**Incorporates:**

DCMA-INST 109, "Contractor Purchasing System Reviews,"  
January 9, 2014  
DCMA-INST 124, "Contract Property Management,"  
February 1, 2013, as amended  
DCMA-INST 131, "Contractor Business Systems,"  
November 6, 2013, as amended  
DCMA-INST 133, "Estimating System Review," October 15, 2013  
DCMA-INST 204, "Manufacturing and Production,"  
August 16, 2012, as amended  
DCMA-INST 208, "Earned Value Management System  
Compliance Reviews," April 9, 2014, as amended  
DCMA-INST 210, "Earned Value Management System (EVMS)  
Standard Surveillance," February 1, 2012, as amended  
DCMA-INST 211, "Material Management and Accounting  
Systems (MMAS)," May 1, 2012  
DCMA-INST 305, "Deficiency Reports," October 15, 2012, as  
amended  
DCMA-INST 306, "Contract Safety," June 12, 2015, as amended

DCMA-INST 320, “Navy Special Emphasis Program (NSEP),”  
November 18, 2014, as amended  
DCMA-INST 322, “Quality System Audit,” September 1, 2011, as  
amended  
DCMA-INST 1205, “Counterfeit Mitigation,” July 6, 2015  
DCMA-INST 1207, “Effective Control of Nonconforming  
Material,” July 2, 2015

**Internal Control:** Not Applicable

**Labor Codes:** Located on the Resource Page

**Resource Page Link:** <https://360.dcma.mil/sites/policy/CE/SitePages/2301r.aspx>

**Approved by:** David H. Lewis, VADM, USN, Director

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**Purpose:** This issuance, in accordance with the authority in DoDD 5105.64, “Defense Contract Management Agency (DCMA):”

- Establishes policy, assigns responsibility, and prescribes general principles associated with assessing the effectiveness of the contractor's management, operations, or performance.
- Focuses on fulfilling DCMA’s responsibilities pursuant to Federal Acquisition Regulation (FAR) Subpart 42.3, “Contract Administration Office Functions” and Defense Federal Acquisition Regulation Supplement (DFARS) Part 242.3, “Contract Administration Office Functions.”
- Provides authority to write Manuals (DCMA Manuals (DCMA-MAN) 2301 series)) for implementing the requirements under this issuance.

## **SUMMARY OF CHANGES**

The changes to this issuance are administrative. The most notable change is from references of the DCMA-MAN 2303-series to DCMA-MAN 2303-01, “Surveillance.”

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## SECTION 1: GENERAL ISSUANCE INFORMATION

**1.1. APPLICABILITY.** This issuance applies to all DCMA organizational elements who enable or perform Contractor Effectiveness activities on DCMA administered contracts/non-procurement instruments, contracts awarded by DCMA, contracts with delegations (e.g., National Aeronautics and Space Administration (NASA), Foreign Military Sales, and other federal agencies), and Direct Commercial Sales.

**1.2. POLICY.** It is DCMA policy to:

a. Establish, assess, deliver, and maintain a Contractor Effectiveness capability that fulfills the Agency's mission and complies with laws, regulations, and DoD issuances.

b. Provide insight on the contractor's ability to meet the terms and conditions of the contract to include cost, schedule, and performance measures and ensure effective contractor business systems, processes, and procedures.

c. Perform Contractor Effectiveness activities in a multi-functional, integrated, synchronized, and coordinated manner.

d. Apply these governing principles:

(1) Activities will be consistent, timely, responsible, responsive, repeatable, and transparent.

(2) DCMA personnel will maintain the integrity of contracts and non-procurement instruments from receipt to closeout, maintain a Financial Improvement and Audit Readiness (FIAR) compliant audit trail, and archive official contract documents in accordance with DoDI 5015.02, "Records Management Program," and Electronic Document Records Management System (eDRMS).

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

## SECTION 2: RESPONSIBILITIES

**2.1. DIRECTOR, DCMA.** The DCMA Director will:

- a. Provide strategic oversight of the Contractor Effectiveness capability.
- b. Appoint a Contractor Effectiveness Capability Manager and charter a standing cross-functional capability board.

**2.2. CONTRACTOR EFFECTIVENESS CAPABILITY MANAGER.** The Contractor Effectiveness Capability Manager will:

- a. Serve as Chairperson of the chartered Contractor Effectiveness Capability Board.
- b. Serve as the Agency proponent for the Contractor Effectiveness capability and a conduit for the DCMA Executive Council to fulfill responsibilities as delegated.
- c. Ensure the development, revision, coordination, and maintenance of Contractor Effectiveness doctrines (instruction and manuals) necessary to document the processes and procedures to allow for consistent, standard, and repeatable work across the enterprise.
- d. Ensure identification, development, revision, or modification of measures and metrics to monitor Contractor Effectiveness compliance and performance.
- e. Ensure development of training and tools required to execute the Contractor Effectiveness processes.
- f. Ensure periodic assessment of a contractor's effectiveness. Include assessments to establish a baseline for contractor's effectiveness. Build upon baseline to achieve optimal performance.
- g. Ensure continuous improvement of the Contractor Effectiveness capability.
- h. Assign Action Officers to serve as the subject matter expert and primary focal point for Contractor Effectiveness capability issuances and associated resource pages.

**2.3. DCMA COMPONENT HEADS/CAPABILITY MANAGERS.** The Component Heads/Capability Managers will ensure issued/deployed Contractor Effectiveness related publications, training, guidance and tools align with DCMA Instruction (DCMA-INST) 2301 and DCMA-MAN 2301 series of manuals.

**2.4. OPERATIONAL UNIT COMMANDERS/DIRECTORS AND CENTER DIRECTORS.** The Operational Unit Commanders/Directors and Center Directors will:

- a. Ensure implementation of the applicable Contractor Effectiveness processes as published in DCMA-MAN 2301 series of manuals.

- b. Seek and support Contractor Effectiveness continuous improvements.
- c. Ensure their issued/deployed Contractor Effectiveness related publications, training, guidance, and tools align with DCMA-INST 2301 and DCMA-MAN 2301 series of manuals.

**2.5. CONTRACT MANAGEMENT OFFICE (CMO), COMMANDERS/DIRECTORS.**

The CMO Commanders/Directors will:

- a. Execute and oversee their organization's Contractor Effectiveness processes as published in the DCMA-MAN 2301 series of manuals.
- b. Establish and maintain a systematic, cost-effective program for the assessment of contractor management, operations, and performance. As necessary, verify, validate, and document that a contract's cost, schedule, and performance requirements are met.
- c. Evaluate their organization's Contractor Effectiveness activities for compliance, performance, and effectiveness.
- d. Ensure CMO issued/deployed surveillance related publications, training, guidance, and tools align with DCMA-INST 2303, "Surveillance," and DCMA-MAN 2303-01, "Surveillance."

## SECTION 3: GENERAL PRINCIPLES

**3.1. DESCRIPTION.** DCMA’s Contractor Effectiveness capability provides actionable insight that arms decision makers with information about a contractor’s ability to efficiently and effectively execute contractual requirements. Defense acquisition programs, service contracts, and the integrity of the United States defense industrial base are dependent upon the ability of contractors to mitigate and/or minimize cost, schedule, and performance risk. The Contractor Effectiveness capability ensures collaborative, repeatable, transparent, and acceptable processes throughout the contract life cycle.

a. The Contractor Effectiveness capability executes analysis and surveillance activities to validate a contractor’s fulfillment of contractual obligations to ensure efficient and effective expenditure of Government funds and stewardship of government resources (i.e., property). Contract management teams perform assessments and analyses of contractor systems to determine whether:

(1) The contractor’s systems, processes, command media, controls, plans, and schedules meet contractual requirements to deliver products and services.

(2) The contractor’s outputs meet expected contractual performance requirements.

(3) The contractor has records available that demonstrate fulfillment of contractual requirements.

b. The value DCMA expects to deliver through this capability includes:

(1) Timely actionable acquisition insight.

(2) Holding contractors accountable to contractual terms and conditions.

**3.2. ACTIVITIES.** Major Contractor Effectiveness activities for establishing contractor confidence when required by contract include, but are not limited to:

a. Performing Contractor Business System reviews (DCMA-MAN 2301-01, “Contractor Business Systems”).

(1) Assessing Contractor Accounting System.

(2) Assessing Cost Estimating System.

(3) Assessing Earned Value Management System.

(4) Assessing Material Management and Accounting System.

(5) Assessing Property Management System.

- (6) Assessing Purchasing System.
- b. Performing Contractor Technical System Assessments (DCMA-MAN 2301-02, “Contractor Technical System Assessments”).
  - (1) Assessing Quality Management System.
  - (2) Assessing Manufacturing Management Program.
- c. Conducting Navy Special Emphasis Program (DCMA-MAN 2301-05, “Navy Special Emphasis Program”).
- d. Discrepancy Processing (DCMA-MAN 2301-06, “Discrepancy Processing”).
  - (1) Ensuring Contractors Control Nonconforming Material
  - (2) Executing Deficiency Report Program
  - (3) Performing Counterfeit Mitigation
  - (4) Executing Government Industry Data Exchange Program
- e. Assessing Contract Safety (DCMA-MAN 2301-07, “Contract Safety”).

**3.3. PRODUCTS.** Major products associated with the Contractor Effectiveness capability include, but are not limited to:

- a. Contractor Business System Determination.
- b. Contractor surveillance results/analysis documentation/reports.
- c. Contractor Risk Rating.
- d. Corrective Action Request.
- e. Validated Contractor Corrective Action Plan.
- f. Withhold recommendation.
- g. Consideration recommendation.
- h. Inputs to Program Assessment Report.
- i. Inputs to Contract Business Analysis Repository.
- j. Inputs to Contractor Performance Assessment Reporting System.

k. Inputs to Corporate Alliance Networks.

l. Inputs to Defense Industrial Base.

## GLOSSARY

### G.1. DEFINITIONS.

**Business Capabilities Framework.** A structure that distinguishes a policy’s “what” and “why” from the process’ how to, and integrates automation in an agile business environment. The “what and why” are delineated in DCMA Instructions, and the “how to” is delineated in DCMA Manuals.

**Capability.** Pursuant to DoD Directive 7045.20, “Capability Portfolio Management,” capability is the ability to achieve a desired effect under specified standards and conditions through a combination of means and ways across doctrine, organization, training, materiel, leadership and education, personnel, and facilities to perform a set of tasks to execute a specified course of action.

**Capability Manager.** The individual or individuals identified by the Director, DCMA, as the proponent with advocacy for all Agency efforts under a given Capability. The Capability Manager is responsible for the doctrine (instructions and manuals), tools, and training associated with the process and activities that fall under the purview of the Capability.

**Command Media.** Includes tangible documents (including electronic) such as contractor policies, procedures, manuals and instructions that are developed and implemented to control the organization. For purposes of this issuance, policies/procedures is synonymous with command media.

**Component Head.** The leader of a DCMA organization who reports directly to the Director, DCMA.

**Contract.** A mutually binding legal relationship obligating the seller to furnish the supplies or services (including construction) and the buyer to pay for them. It includes all types of commitments that obligate the government to an expenditure of appropriated funds and that, except as otherwise authorized, are in writing. In addition to bilateral instruments, contracts include (but are not limited to) awards and notices of awards; job orders or task letters issued under basic ordering agreements; letter contracts; orders, such as purchase orders, under which the contract becomes effective by written acceptance or performance; and bilateral contract modifications. Contracts do not include grants and cooperative agreements.

**Contract Management Office (CMO).** An organizational unit within DCMA that is assigned pre-award and post-award functions related to the administration of contracts. The office is responsible for managing and administering assigned contracts from contract receipt to contract closeout.

**Contract Management Team (CMT).** An application that provides functionality to permit routing procurement instruments and documents to personnel with functional roles. Routing levels are: (1) exact contract number, (2) partial contract number + Commercial and Government Entity (CAGE), (3) partial contract number, (4) Administrative Contracting Officer

(ACO) code + CAGE, (5) CAGE, (6) ACO code, and (7) CMO DoD Activity Address Code (DoDAAC). This view-only version of CMT is to view personnel with functional roles as assigned in the Mechanization of Contract Administration Services (MOCAS) to verify proper mapping to users, and to request changes to the CMT listing. CMT Administrator and First Level Supervisor (FLS) use the system for routing purposes.

**Data.** Data is a collection of facts, recorded observations or requirements from a variety of sources such as the contract, the contractor, industry, or the government. Types of data used in surveillance include, but is not limited to, command media, artifacts, records, spreadsheets, and observations.

**Electronic Document Records Management System (eDRMS).** Electronic document and records management used by DCMA to manage, retain, and destroy official records in accordance with the records management policy.

**Financial Improvement and Audit Readiness (FIAR).** DoD's effort to attain and sustain an unqualified "clean" audit opinion for financial transactions and financial systems. FIAR is demonstrated through a financial statement audit performed by independent auditors, resulting in an unmodified audit opinion on DCMA's financial statements.

**Non-Procurement Instruments.** A legal instrument other than a procurement contract that falls into three basic types: grants, cooperative agreements, and other transactions. Grants and cooperative agreements are awarded when a Federal agency is providing assistance such as financial assistance or services in lieu of money. An "other transaction" may be used by DoD when it has been determined that it is in the Government's best interest to enter into an agreement that is not a contract, grant, or cooperative agreement.

**Operational Unit.** DCMA organizational entity charged with ensuring mission accomplishment for their organization. For purposes of this Instruction only, Operational Units include: East, Central, and West Operational Units, the International Directorate, and the Special Programs Directorate.

**Processes.** Processes are a set of interrelated or interacting activities that use inputs to provide an intended result.

**Surveillance.** Surveillance is a function of contract administration used to determine or assess contract progress and/or compliance through "data collection and analysis." In DCMA, surveillance is often a multifunctional oversight effort to review and analyze contractor plans, schedules, command media, systems, processes, process outputs, and/or products. Surveillance includes reviews for adequacy (when applicable) and to determine compliance to contractual, statutory, regulatory, or contractor requirements. Surveillance involves collecting data and assessing it to support a determination.

**System.** System is a set of detailed methods, processes, and routines created to carry out a specific activity, perform a duty, or to achieve an objective. A collection of interrelated or interacting processes used by the contractor to manage or control their operation(s). Examples

are Contractor Business Systems, quality systems, engineering systems, and other management systems.

## **GLOSSARY**

### **G.2. ACRONYMS.**

ACO	Administrative Contracting Officer
CAGE	Commercial and Government Entity
CMO	Contract Management Office
CMT	Contract Management Team
DCMA-INST	DCMA Instruction
DCMA-MAN	DCMA Manual
DFARS	Defense Federal Acquisition Regulation Supplement
eDRMS	Electronic Document Records Management System
FAR	Federal Acquisition Regulation
FIAR	Financial Improvement and Audit Readiness

## **REFERENCES**

- DCMA Instruction 2303, "Surveillance," October 3, 2018  
DCMA Manual 2301-01, "Contractor Business Systems," April 27, 2019  
DCMA Manual 2301-02, "Contractor Technical System Assessments," July 14, 2019  
DCMA Manual 2301-05, "Navy Special Emphasis Program," November 15, 2018  
DCMA Manual 2301-06, "Discrepancy Processing," March 31, 2019  
DCMA Manual 2301-07, "Contract Safety," October 24, 2018  
Defense Federal Acquisition Regulation Supplement Subpart 242.3, "Contract Administration Office Functions," December 22, 2016  
DoD Directive 5105.64, "Defense Contract Management Agency (DCMA)," January 10, 2013  
DoD Directive 7045.20, "Capability Portfolio Management," September 25, 2008  
DoD Instruction 5015.02, "DoD Records Management Program," February 24, 2015  
Federal Acquisition Regulation Subpart 42.3, "Contract Administration Office Functions," January 19, 2017