DCMA Manual 2301-06

Discrepancy Processing

Office of Primary Responsibility	**Contractor Effectiveness Capability**
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Internal Control:	Process flow and key controls are located on the Resource Page
Labor Codes:	Located on the Resource Page
Resource Page Link:	https://360.dcma.mil/sites/policy/CE/SitePages/2301-06r.aspx
Approved by:	David H. Lewis, VADM, USN, Director

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

- Implements policy established in DCMA-INST 2301, "Contractor Effectiveness"

- Provides and defines procedures for the effective control of nonconforming materials, deficiency reports, counterfeit mitigation, Government-Industry Data Exchange Program and DCMA Forum regarding defective/nonconforming products, services and processes

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SECTION 1: GENERAL ISSUANCE INFORMATION

1.1. APPLICABILITY. This issuance applies to all DCMA activities unless higher-level regulations, policy, guidance, or agreements take precedence.

a. For the purpose of this manual, the terms “supplies” and “products” are synonymous and are inclusive of raw materials, products, parts, components, items, etc. Additionally, Deficiency Report (DR) may be used interchangeably to reference either a product quality deficiency report (PQDR) or a supply discrepancy report (SDR).

b. The Director, Special Programs Command must comply with DCMA Instruction (DCMA-INST) 2301 and meet the intent of this Manual to the maximum extent practicable for all Special Access Programs (SAP) and Sensitive Compartmented Information (SCI) contracts.

1.2. POLICY. It is DCMA policy to:

a. Ensure contractors are effectively controlling nonconforming material (NCM).

b. Discourage the repeated tender of NCM and only approve NCM for use when it is in the best interest of the Government.

c. Promptly investigate, report and seek consideration for discrepancies.

d. Ensure contractors have processes and procedures in place to effectively prevent the introduction of counterfeit parts into the DoD supply chain and to not knowingly accept counterfeit materiel.

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

SECTION 2: RESPONSIBILITIES

2.1. CAPABILITY MANAGER. The Capability Manager will:

a. Oversee the development, implementation, administration, and management of this manual on behalf of the Agency as delegated by the Director.

b. Approve or disapprove waiver/deviation requests to requirements of this manual.

2.2. DIRECTOR, TECHNICAL DIRECTORATE (TD). The TD Director will:

a. Develop the Agency's Discrepancy Reporting Process(es).

b. Review and make recommendations to the Capability Manager for manual waiver/deviation requests.

c. Develop tactical-level performance metrics/indicators for each functional area.

d. Assign a Product Data Reporting and Evaluation Program (PDREP) liaison and configuration management board (CMB) member(s).

e. Assign a Headquarters (HQ) Government-Industry Data Exchange Program (GIDEP) Program Manager who also serves as the Lead GIDEP Representative, the Lead "DoD Inspector General (IG) Notice of Defective Product/Safety Alert" Coordinator and the Lead DCMA Forum Administrator (FA).

2.3. OPERATIONAL UNIT COMMANDS (OUCs). The OUCs will:

a. Implement this manual and applicable DoD requirements throughout the agency within their respective Contract Management Offices (CMOs) or command.

b. Develop and implement localized procedures that augment this manual and ensure consistent application, as needed.

c. Review and make recommendations to TD of manual waiver or deviation requests.

d. NCM Specific. Provide staff assistance to CMOs in establishing a Joint DCMA and Contractor NCM Reduction Program, as needed.

e. PQDR and SDR Specific. OUCs will:

(1) Assign primary and alternate Points of Contact (POCs) to the DR program for the DR escalation process.

(2) Ensure DR POCs conduct analysis of DR trends - days to close, verified discrepancies, and data integrity.

(3) Respond to elevated customer complaints within 48 hours.

(4) Ensure assigned DR POCs upload appointment letters to the Deficiency Reporting Program Manager (DRPM) website. Link located on Resource Page.

f. GIDEP Specific. Appoint a primary and alternate GIDEP Representative, maintain list of representatives and provide updates to the HQ GIDEP Program Manager.

2.4. CONTRACT INTEGRITY CENTER (CIC). The CIC reviews all reports of suspect counterfeit parts and when appropriate, coordinates investigations among appropriate stakeholders (including but not limited to DCMA personnel, criminal investigative organizations, intelligence authorities, and/or those who use the suspect or confirmed counterfeit materiel). Upon notification of suspect counterfeit materiel, CIC will provide guidance on the appropriate path forward.

2.5. LOGISTICS AND SAFETY DIVISION. The Logistics and Safety Division Packaging Group will:

a. Appoint a Supply Discrepancy Reporting Program Manager (SDRPM).

b. Analyze Packaging SDR trends and request assistance from the DRPM for investigations when needed.

c. Monitor group SDR email boxes, responding to elevated customer complaints within 48 hours.

d. Evaluate the contractor's handling, storing, and processing of DR exhibits.

e. Coordinate disposition requirements with the cognizant Plant Clearance Officer when applicable for Government Furnished Property (GFP) requires disposal as excess.

f. Use semiannual inventory information to ensure inventories are kept only if warranted.

g. Send SDR to the CMO DRPM as required.

2.6. COMMANDER/DIRECTOR, CONTRACT MANAGEMENT OFFICE. The CMO Commander/Director/Deputy will:

a. Review and approve local procedures implementing the requirements of this manual, as necessary.

b. Ensure the appropriate Contract Management Team (CMT), Program Support Team (PST), and PST listings are current and accurate.

c. Appoint CMO primary and alternate DRPMs. For DCMA International Command (DCMAI), the DCMAI Commander will appoint the DRPMs within the DCMAI Quality

Assurance (QA) Division.

d. Appoint CMO primary and alternate GIDEP Representatives.

e. Approve final responses for Category (CAT) I PQDR investigation reports prior to the DRPM's release to the action point.

2.7. PREAWARD SURVEY MANAGER (PASM). The PASM determines if the contractor's processes and procedures include counterfeit mitigation, by utilizing the DCMA Counterfeit Detection and Avoidance System Checklist (CDAS) when a preaward survey has been requested.

2.8. FUNCTIONAL DIRECTORS, CONTRACT MANAGEMENT OFFICE. The Functional Directors will:

a. Ensure the requirements of this manual are implemented throughout their functional area.

b. Collaboratively decide whether to accept or reject the authority to approve pre-production Requests For Variance (RFVs) when that authority has been delegated to DCMA.

2.9. FIRST LEVEL SUPERVISOR (FLS). The FLS will:

a. Ensure the Functional Specialist (FS) possesses the necessary qualifications and competencies to perform assigned tasks. Identify additional training requirements to address any identified weaknesses.

b. Provide support and assistance to the FS when needed.

c. Ensure effective control of NCM through proper identification of risk and employ surveillance plans commensurate with this risk.

2.10. FUNCTIONAL SPECIALIST. The FS must:

a. Actively participate in and support the CMO's efforts to reduce nonconforming products, services and processes and encourage continuous improvements by contractors.

b. NCM Specific. The FS will:

(1) Have the appropriate technical skill set (e.g. Electronics, Mechanical, etc.) to evaluate the contractor's proposed dispositions for nonconforming material.

(2) Have specialized DCMA or industry certifications appropriate for the process(es) (e.g. composites, welding, etc.) needed to evaluate the contractor's proposed dispositions for nonconforming material.

(3) Notify and assist the Procurement Contracting Officer (PCO) in resolving ambiguities and/or deficiencies in the contract regarding nonconforming product.

(4) Prior to the acceptance of product, determine whether to pursue consideration for NCM. If consideration will be pursued, the Administrative Contracting Officer (ACO) will provide the PCO with the appropriate objective evidence and data needed to support consideration negotiations.

c. DR Specific. The DRPM will manage the PQDR program for their assigned DoD activity address codes (DODAAC).

(1) Verify the contractor has an approved property management system. This can be accomplished by contacting the assigned PCO, property administrator, or via the Contract Business Analysis Repository.

(2) Assist FLS with training FS on PQDR processing and PDREP system as needed.

(3) DCMAI and DCMA Special Programs (DCMAS) DRPM duties are centralized and are performed within each Operational Unit.

(4) Send a PQDR report monthly to CMO supervision and a quarterly report to the appropriate OUC POC.

d. SDRPM Specific. The SDRPM will manage the SDR program for their assigned areas of responsibility.

(1) Establish a 25-day suspense for SDR investigation reports. Acknowledgment of the received SDR in PDREP begins the suspense due date.

(2) Monitor SDR email boxes and respond to customer complaints within time limits.

(3) Perform SDR investigations.

(4) Collaborate with DRPM as the DR investigation progresses if required.

(5) Notify DRPM to forward data to FS for verified SDRs.

(6) Provide final SDR investigation reports to the action point.

(7) Maintain accurate SDR status in PDREP for data integrity and accurate reporting.

(8) Send a monthly SDR report to CMO leadership and a quarterly report to the OUC DR POC, at a minimum.

(9) Assist FLS as required with training FS on SDR processing and PDREP use.

e. Counterfeit Specific. Perform counterfeit mitigation in accordance with applicable Federal Acquisition Regulation (FAR) and Defense Federal Acquisition Regulation Supplement (DFARS) counterfeit clauses, DCMA Manuals, customer contract requirements and cited industry standards.

SECTION 3: EFFECTIVE CONTROL OF NONCONFORMING MATERIAL

3.1. TERMINOLOGY. For the purpose of this manual:

a. Request for Variance (RFV). A RFV is the contractor's request to temporarily depart from the approved product configuration. Other terms, such as Material Review Board (MRB) actions, MRB tags or Configuration Control Board (CCB) actions, may be used. Therefore, the tasks in this section are applicable regardless of the terminology. Further, the term "Variance," as used in this manual, is inclusive of the terms "Waiver" and "Deviation."

b. Material Review Board (MRB). The terms MRB and MRB Authority are often misused and misunderstood. They are legacy terms and are not found in International Organization for Standardization (ISO) 9001, AS9100 or AS9131. The term MRB is found in AS6500, "Manufacturing Management Program," but is used only in reference to a sub-tier supplier MRB. Therefore, for the purposes of this manual:

(1) When used, MRB is understood to mean the contractor's multi-functional group only and is normally composed of representatives from the quality, engineering, manufacturing and other functional groups. DCMA is not a member of the MRB unless requested by the Program Office. The FS may elect to attend the MRB but must not render a Government decision until the contractor makes a formal decision of acceptability.

(a) Government approval is required for NCM with a disposition of "use-as-is" or "repair." Government approval is not needed for NCM dispositions of "rework to print," "scrap," or "return to vendor (RTV) or supplier (RTS)."

(b) Final approval or acceptance is an inherently governmental function per FAR 7.503 (c)(12)(v); and **must not** be delegated to the contractor or to the MRB. If the Government is a member of the Contractor's MRB, the Government must still independently make the final approval/acceptance; it is not a group decision.

(2) MRB Authority. The use of the term "MRB Authority" is often misinterpreted to mean the "determination to accept or reject minor nonconformances" in accordance with FAR 46.407 terminology. However, the determination to accept or reject is an inherently governmental function and cannot be granted to a contractor.

c. Determination Authority. When the statement "determination authority" is used within this manual, it is synonymous with FAR 46.407 (a), "The contracting officer should reject supplies or services not conforming in all respects to contract requirements (see FAR 46.102). In those instances where deviation from this policy is found to be in the Government's interest, such supplies or services may be accepted only as authorized in this section."

3.2. OVERVIEW OF THE RFV PROCESS.

a. The contractor will submit minor nonconformances where the disposition is to repair or use-as-is to the Government on either a DD Form 1694, "Request for Variance," program office

requested format, or contractor's format (which may be referred to as a MRB, MRB Action or a CCB Action). If the submittal method is not specified in the contract, the submittal method should be mutually agreed upon by DCMA, the PCO and the contractor. Regardless of format, all submittals must contain the information requested in paragraph 3.11.a.

b. The terms "approve/approval" and "disapprove/disapproval" are used when the RFV is presented to the FS in-process or prior to final product acceptance. Only when a RFV is presented at final product acceptance of the end item will the terms "accept or reject" be used.

c. If fraud or counterfeit is suspected/confirmed, contact the CIC or local legal counsel immediately.

d. Notify the GIDEP representative when it is determined a RFV could present a health and safety risk and/or negatively impact operational readiness or mission success.

e. When operating outside the continental United States, the DCMAI FS will follow this policy to the extent allowable and in accordance with their national practices.

f. When determination authority for minor nonconformances has not been withheld from DCMA, the FSs in the CMO must:

(1) Determine whether to approve/accept or disapprove/reject the NCM.

(2) Determine whether to request the PCO seek consideration, either on an individual or collective basis.

(3) Delegate surveillance and the authority to make the determination of minor nonconformances to the cognizant CMO when a prime contractor subcontracts the supplies or services, in accordance with DCMA Manual (DCMA-MAN) 2101-04, "Delegate Surveillance."

(4) The CMO may work collaboratively with the contractor to assist in making the determination to accept or reject minor nonconformances in accordance with FAR 46.407(d).

g. When determination authority has been withheld from the DCMA. The CMO must:

(1) Determine if authority has been inappropriately granted to the Contractor. If so, generate a Contract Deficiency Report (CDR) and forward to the PCO for correction. Determination authority is an inherently Government function as defined in FAR 7.503.

(2) Provide an evaluation and recommendation on RFVs, to include a consideration recommendation as appropriate, to the PCO, Contracting Officer Representative (COR), Contracting Officer Technical Representative (COTR) or Engineering Support Activity (ESA) (herein referred to as "designated representative") when FAR 42.302(a)(47) has not been specifically withheld from DCMA. The FS must obtain a completed copy of the approved RFV from the PCO or designated representative as objective evidence before accepting product containing NCM.

h. Critical and Major RFVs. When FAR 42.302(a)(47) has not been specifically withheld from DCMA, the CMO must provide an evaluation and recommendation of RFVs, to include a consideration recommendation as appropriate, to the PCO or designated representative. When FAR 42.302(a)(47) has been specifically withheld from DCMA, the CMO has no further actions to accomplish.

i. Aviation and Ship Critical Safety Items (CSI) RFVs. The CMO does not have determination authority for an aviation or ship CSI RFVs, unless the Design Control Activity (DCA) has determined such authority is appropriate in accordance with DFARS 246.407(S-70). Contact the ESA to ensure CSI items are correctly identified. Additional information on delegation of authority in aviation and ship CSI is available at Defense Logistics Agency (DLA) Website. There are three situations that may exist:

(1) When determination authority has been explicitly given to DCMA, the CMO may make the determination on minor nonconformances to the extent specified in the contract, including the actions in paragraph 3.2.f.

(2) When determination authority has not been explicitly given to DCMA and FAR 42.302(a)(47) has not been specifically withheld from DCMA, the CMO must provide an evaluation and recommendation of RFVs, to include a consideration recommendation, as appropriate, to the PCO or designated representative.

(3) When determination authority has not been explicitly given to DCMA and FAR 42.302(a)(47) has been specifically withheld from the DCMA, the CMO has no further actions to accomplish.

j. Additional guidance can be found on the Resource Page.

3.3. LOCAL PROCEDURES. Local procedures must include, at a minimum:

a. Incorporation of NCM surveillance into the CMO's multifunctional surveillance activities must include:

(1) Identification and assignment of NCM surveillance activities between FSs to both ensure their completion and prevent redundant surveillance strategies between FSs.

(2) Individual FS's NCM surveillance responsibilities where only one FS is assigned to a contract.

b. The title of the FS who is the POC for RFVs.

c. Consideration of risk to the Government, unique skill set requirements, criticality and complexity of supplies or services being procured, customer requests for a certain FS, etc., must be taken into account when assigning tasks to the FSs, in addition to the competencies and qualifications required.

d. The assignments, responsibilities and meeting requirements of the DCMA NCM Multifunction Working Group where one is established.

e. The assignments of the FSs to the Joint DCMA/Contractor NCM Reduction Management Council where one is established.

3.4. CONTRACT RECEIPT AND REVIEW (CRR). Each of the functions below must be performed by the team or an individual team member in accordance with DCMA-MAN 2501-01, "Contract Receipt and Review (CRR)."

a. Document Contract Requirements. Review and document requirements in the contract related to NCM. These requirements may be found in the referenced FAR and DFAR clauses, Statement of Work (SOW) or Statement of Objectives (SOO), Section E – Inspection and Acceptance, Section H – Special Contract Requirement, Section J – List of Documents, Exhibits, and Other Attachments (attachments/exhibits and DD Form 1423, "Contract Data Requirements List (CDRL)," and Data Item Description (DID)):

(1) DD Form 1423. Review the contract attachments and exhibits associated with the submission of RFVs (may reference Requests for Waivers (RFWs) or Requests for Deviation (RFDs)), and ensure DCMA is on the CDRL distribution list. If DCMA is not on the distribution list, request the DCMA POC(s) be added.

(2) Other NCM Related Contractual Documentation. Review the contract for NCM specific documents, specifications or standards such as Society of Automotive Engineers (SAE) Aerospace Standards (AS) 9131, and AS9100, International Organization for Standardization (ISO) 9001, and SAE Electronic Industries Alliance (EIA) EIA-649, EIA-649-1 and EIA-649-2.

b. Provide the PCO with the appropriate POCs to ensure the CMO obtains copies of all RFVs where DCMA does not have determination authority. The CMO must ensure there are no open or outstanding RFVs prior to making a decision to accept product.

c. Determine and document CMO Authority Relating to Processing RFVs**.** The following scenarios are possible:

(1) Determination Authority Is Explicitly given to DCMA or the Contract is Silent on the Determination Authority. When the contract explicitly gives DCMA the authority to accept or reject minor nonconformances, follow the contract requirements. When the contract does not explicitly address how the contractor is to present RFVs, DCMA has the authority to make a determination on Minor RFVs. Critical and Major RFVs must be submitted to the PCO for determination in accordance with FAR 46.407, with a CMO evaluation and recommendation when FAR 42.302(a)(47) has not been specifically withheld from the CMO.

(2) Determination Authority Given to the "Government." If the contract gives determination authority for minor nonconformances to the "Government" but does not specify which organization, the authority is given to DCMA by default. However, to avoid confusion, the FS may consult the PCO for clarity.

(3) Determination Authority Given to a PCO or Designated Representative. If the contract gives the authority to a PCO or designated representative, DCMA has no determination authority for minor nonconformances; however, a DCMA evaluation and recommendation is required if FAR 42.302(a)(47), "Assist in evaluating and make recommendations for acceptance or rejection of waivers and deviations" has not been specifically withheld (paragraph 3.4.c(6)).

(4) Pre-production RFVs. Pre-production RFVs request Government permission to produce a configuration item (CI) as nonconforming. Submittals are typically temporary conditions caused by the lack of a material, part, component, or item required. The PCO or designated representative typically retains the authority to disposition minor RFVs. If determination authority is given to DCMA, the CMO Technical Directors and CMT or PST should make a determination to keep or relinquish this authority. The CMO Technical Directors are the final authority. If the decision is to relinquish this authority, contact the PCO, through the ACO or Contracting Adminstrator (CA), for resolution.

(a) If authority is relinquished, a DCMA evaluation and recommendation may still be required if FAR 42.302(a)(47) has not been specifically withheld.

(b) If authority should be retained, perform the same actions as for post-production RFVs (paragraphs 3.5 through 3.15).

(5) Determination Authority Given to the Contractor. If the contract gives the determination authority for minor nonconformances or RFVs to the contractor, contact the PCO or issue a CDR. Determination authority is an inherently government function (FAR 7.503) and must not be given to the contractor.

(6) Applicability of FAR 42.302(a)(47) to the CMO. Determine if FAR 42.302(a)(47) has been specifically withheld from the DCMA by the PCO. The request to specifically withhold FAR 42.302(a)(47) should be conveyed through a PCO to CMO delegation, Memorandum of Understanding (MOU), Memorandum of Agreement (MOA), or other official documentation.

(a) FAR 42.302(a)(47) has not been specifically withheld. The FS must perform all the requirements for NCM in Section 3 with the exception of paragraph 3.7., "Post Review of RFV." The FS must also provide an evaluation and recommendation of RFVs, to include a consideration recommendation as appropriate, through the ACO/CA, to the PCO or designated representative.

(b) FAR 42.302(a)(47) has been specifically withheld from the DCMA**.** The CMO has no determination actions to accomplish on Minor RFVs when FAR 42.302(a)(47) has been withheld from DCMA; however, the FS must STILL evaluate all RFVs when, "Inspection or Acceptance of supplies and services are at Origin." This review ensures there is objective evidence the RFV is approved by the determination authority either at the prime or sub-tier supplier level. Additionally, the requirements for surveillance of the contractor's control of

NCM process and procedures and data collection and analysis are required as outlined in paragraphs 3.5. and 3.11.

3.5. PLANNING AND SURVEILLANCE OF THE CONTRACTOR'S CONTROL OF NCM PROCESSES AND PROCEDURES. See additional guidance provided in the Control of NCM Process Guidance document on the Resource Page.

a. NCM Multifunction Working Group. A NCM Multifunction Working Group must be established for resident contractors (i.e. covers one main contractor and may involve the manufacturing of various parts or Major Program end items) when CMO Management determines a group to be value-added in reducing high levels of NCM activity. A group may also be established at other contractors or for specific weapon system programs at the discretion of the CMO Management. The working group will consist of members from the CMO's QA, Engineering and Contracts Directorates at a minimum. The working group must:

(1) At the initial meeting:

(a) Ensure it is understood how and to whom the contractor is to submit Critical, Major and Minor Nonconformances to the Government for determination.

(b) Determine if FAR 42.302(a)(47) is specifically withheld from DCMA.

(c) Develop a multifunctional surveillance approach by assigning specific functional surveillance responsibilities pertaining to the contractor's control of NCM processes and procedures.

(d) Develop a baseline of contractor's NCM and RFV performance.

(2) At subsequent meetings:

(a) Review individual FS surveillance results.

(b) Review Contractor, Government and User/Customer NCM and RFV performance data for trends to encourage the contractor to reduce their NCM and RFVs.

(c) Discuss FS review of RFV submittals.

(3) Make a determination whether to issue a Corrective Action Request (CAR) based on the results of the NCM data analysis and in accordance with DCMA-MAN 2303-04, "Surveillance – Document Results, Corrective Action and Provide Feedback."

(4) Maintain minutes of meetings to include conclusions, action items and status of previous open action items.

b. Multifunctional Team. A multifunctional team approach must be utilized in the risk assessment, planning and execution of surveillance, and data collection analysis (DC&A)

regardless of whether a NCM Working Group is established. Records and data generated from these activities should be centrally located and accessible by all team members.

c. Risk Assessment. The FS must perform a risk assessment of the contractor's Control of Nonconforming Products/Outputs process and the Contractor Processing of RFVs process in accordance with DCMA-MAN 2303-01, "Surveillance – Assess Risk," and provide results to the Program Integrator (PI) where one is assigned.

d. Surveillance Activities. The planning and executing of NCM surveillance activities is coordinated at the CMO level with input from each of the FSs regardless of whether a formal NCM Multifunction Working Group is established. All activities should be documented and preserved. These activities include:

(1) Developing a CMO Top Level NCM Surveillance Plan for Resident Contractors. This plan should outline/assign individual FS NCM surveillance responsibilities to ensure continuity and prevent redundancies across the CMO (a simple cross reference will suffice).

(2) Ensuring each individual FS NCM Surveillance Plan addresses/includes:

(a) Contractual requirements and the method the contractor uses when presenting NCM to the Government.

(b) Contractor Processing of RFVs.

(c) Surveillance strategy for both the contractor's Control of Nonconforming Products and Outputs and the Processing of RFVs processes for high, moderate, or low NCM Risk Ratings. ISO 9001:2008 and AS9100C refers to these as "products" while ISO 9001:2015 and AS9100D refers to these as "outputs."

(3) Surveillance strategy and actions for FAR Standard Inspection clauses (FAR 52.246-2 through 9). FSs must ensure surveillance of the contractor's inspection system is conducted to verify it is acceptable to the Government. As the inspection system is not specific to NCM, this surveillance may be performed as part of contractor system assessment or other surveillance activity.

(4) Surveillance strategy/actions for FAR 52.246-11, "Higher-Level Contract Quality Requirements." The FS must perform surveillance of the contractor's Control of Nonconforming Product and Outputs process including associated policies and procedures. These include all contractor processes associated with the Control of Nonconforming Product and Outputs such as Competence, Awareness, Documented Information, Monitoring, Measurement, Analysis and Evaluation, Internal Audits, Nonconformity and Corrective Action; Configuration Management and Counterfeit Risk Mitigation. This surveillance may be performed as part of contractor system assessment or other surveillance activity.

(5) Verification of the Contractor's Material Review Process. Verify the contractor's material review process is properly established in accordance with the contractor's procedures, policies and processes. These responsibilities include:

(a) Timely investigation of all NCM.

(b) Approval by the contractor's material review process of all proposed dispositions of repair and use as is (UAI) prior to presenting to the Government.

(c) A documented technical analysis of proposed repair and UAI dispositions explaining why the nonconformance is "minor" and why the proposed disposition is appropriate.

(d) Control, segregation and disposal of NCM.

(6) Surveillance of the Contractor's Classification Policies and Procedures**.** The FS must perform surveillance of the contractor's policies and procedures for classification (Critical, Major, or Minor) of RFVs. This surveillance includes an assessment of the contractor's technical analysis process that supports both the proposed disposition and the classification decision.

e. Surveillance Execution. The FS must perform surveillance activities defined in the NCM Surveillance Plan. Notify the cognizant Industrial Specialist or Engineer and the ACO of any surveillance findings which may have potential programmatic impact(s) (production schedule, product delivery date or other critical tasks identified in the program's Integrated Master Schedule).

f. Surveillance Records. All surveillance activities must be documented and preserved in the approved system of record.

g. Risk Reassessment and Adjustment in Surveillance Strategy. Reassess risks identified in the Surveillance Plan based on surveillance results and adjust the surveillance strategy as needed. Provide results to the PI where one is assigned.

h. Application of Standard Repair Procedures (SRPs). The FS must periodically review the contractor's material review process to ensure SRP dispositions are only applied to nonconformances produced under approved and documented conditions. Approved SRPs have been demonstrated to be an adequate repair when properly applied; developed and reviewed by the contractor, and approved by the Government prior to implementation; include a time limit and/or number of units and/or uses to which the repair will be applied and an expiration date. Detailed information is provided in Paragraph 3.8.

3.6. REVIEW AND APPROVAL OR DISAPPROVAL PROCESS FOR REQUESTS FOR VARIANCE. The specific authorities and responsibilities given to DCMA are identified during CRR. The POC for RFVs should be identified in the CMO's Control of NCM local procedures.

a. Documentation. All RFVs must be documented as specified in Paragraph 3.11.

b. Applicability. The actions in this section apply to all RFVs, both where DCMA does and does not have determination authority, except where the determination authority and FAR 42.302(a)(47) have both been withheld.

c. Review for Completeness and Accuracy. Review each RFV and return incomplete, inaccurate or those not meeting the contractual requirements to the contractor. Issue a CAR for incomplete or inaccurate RFVs, if appropriate, in accordance with DCMA-MAN 2303-04. All information should be reviewed; however, the following items must be accomplished:

(1) Visual Inspection of the NCM. Visually inspect the nonconformance(s) to confirm its existence and that it is accurately described, including classification, if possible. When visual inspection is not possible, or if providing additional information, descriptions and/or photographs may be used.

(2) Verify Classification. Review the contractor's technical (engineering) analysis and the criteria specified in the contract to verify the NCM is properly classified. The classifications are Critical, Major and Minor unless otherwise specified in the contract (see glossary for definitions). The criteria for classifying the nonconformances is specified in the SOW/SOO, contract, performance and/or functional specification, technical data package and/or data item(s).

(3) Review Disposition and Analysis. Review the contractor's documented technical (engineering) analysis supporting the disposition. The SOW/SOO, contract, performance and/or functional specification, technical data package and/or data item(s) may contain information needed for this review.

(4) Determine if Pre- or Post-production. Determine whether the RFV is pre- or post-production. For pre-production RFVs, determine whether DCMA has determination authority (see paragraph 3.4.c(4)).

(5) Determine Appropriateness of Contractor's Proposed Disposition. Determine if the nonconformance meets the criteria of a minor nonconformance if dispositioned as UAI or repair. Is a repair cost effective relative to other disposition alternatives? If the RFV submittal is not or cannot be dispositioned as stated, return the submittal to the contractor and determine whether to issue a CAR.

(a) Government approval of a repair does not compromise the Government's right to reject the material after completion of the repair. Use of all repair procedures is at the contractor's risk.

(b) Reprocessing Instructions. Instructions for resubmitting material after repair must be included in the unique repair or SRP procedures. These procedures must include any requirements for contractor and/or DCMA inspection(s) and test(s).

(6) Review Effectivity. Ensure effectivity is properly and accurately documented.

(7) Review Root Cause Analysis (RCA). Review and analyze the contractor's root cause to ensure the root cause of the nonconformance(s) has been satisfactorily identified and all affected NCM has been identified and contained. Containment should address potentially affected product at any point in the supply chain.

(8) Review Corrective Action. Review the proposed corrective action to ensure it adequately mitigates or corrects the root cause, is implemented or has a planned implementation date, and will prevent recurrence of the nonconformance. Measures to prevent future quality escapes must be included when corrective actions cannot be implemented in a timely manner.

(9) Determine whether NCM is a Recurrence. Review the RFV to ensure the number of recurrences of the nonconformance(s) is properly annotated. The process where the nonconformance was produced (i.e., process capability) and not solely product characteristics should be evaluated. If the nonconformance involves a sub-tier supplier, the FS must review the sub-tier supplier's history to determine if there are process problems and not just problems with a specific product characteristic or feature.

(10) Provide an Evaluation and Recommendation. For all Critical and Major RFVs and for Minor NCM where determination authority has been withheld, and when FAR 42.302(a)(47) has not been specifically withheld, the FS must provide an evaluation and recommendation for disposition of the RFVs, including a consideration recommendation where appropriate. Document the evaluation and recommendation using DD Form 1998, "Comments on Waiver, Deviation or Engineering Change Request," or equivalent, and forward through the ACO/CA, to the PCO or designated representative. Document the data in accordance with paragraph 3.11.

(11) Determine Approval/Acceptance or Disapproval/Rejection**.** Where determination authority has not been withheld, make a determination to approve/accept or disapprove/reject the RFV for minor nonconformances. Regardless of which FS makes the official determination, the decision should be collaborative and include Quality Assurance and Engineering. Resolution of any conflict will be made above the FS's organizational level.

(a) Document Determination. Document the determination per the contract requirements in one of the following formats. Documentation must include the appropriate information requested on a DD Form 1694, regardless of format, and may be by hardcopy or electronic copy:

- DD Form 1694 or DD Form 1998
- Program office specified or required format (schema)
- Contractor's format. When records/correspondence are maintained in the contractor's computer system, obtain a hardcopy or electronic copy showing disposition and a signature.

(b) Notification Actions for Dispositioned Minor RFVs. Complete the following for all RFVs:

1. Notify the cognizant Industrial Specialist and Engineer of potential impact(s) to the production schedule, product delivery date or other critical tasks identified in the program's Integrated Master Schedule (IMS).

2. Provide a copy of the dispositioned RFV and supporting documentation to the ACO/CA. Upload the completed action into the CMO contract file.

3. The ACO/CA must immediately inform the PCO of disapproval/rejection and provide a copy of the RFV to the PCO.

(c) Consideration. Prior to product acceptance, the FS must document and provide a rationale for seeking consideration to the ACO/CA. The rationale may include recurring NCM or RFVs, delayed delivery schedules as a result of the NCM, increased Government inspections costs or reduced production cost for the contractor. CMOs must determine the appropriate method to seek consideration. Factors to consider include:

1. Contractor's costs for processing the RFV includes the cost associated with any repair or UAI action, the technical analysis to support the RFV, and any reinspecting, retesting or requalifying costs. These costs must be provided by the contractor.

2. Program and contract impacts are especially important in the case of a Production Surveillance Criticality Designator (SCD, CD or Criticality) A & B Contract (designator generally found in Block 7 of the contract).

3. Government re-inspection costs as the FS should reinspect the NCM after repair where FAR 52.246-2 is assigned on the contract item(s).

(d) The ACO through PCO must determine if consideration should be requested and the PCO must determine if consideration will be pursued.

3.7. POST-REVIEW OF REQUESTS FOR VARIANCE.

a. The post-review of RFVs for minor nonconformances determination process, herein referred to as "post-review," allows the FS to review and make a determination to approve/accept or disapprove/reject RFV submittals after the contractor has further processed the NCM as opposed to typical "in-line or real time" review.

b. Implementation of post-review requires prior approval and must only be authorized by the CMO when the DCMA has been given determination authority.

c. Exceptions. Post-review may not be implemented where prohibited by contract or for National Aeronautics and Space Administration (NASA), Navy Nuclear, and Level I/Sub-safe Programs.

d. The FS must perform activities in paragraph 3.6. and provide a determination decision on 100 percent of the RFVs for minor nonconformances. Each submitted RFV must be reviewed although the extent of the review can be risk based.

e. The CMO must only authorize post-review when:

(1) The contractor has a continuous improvement program with the amount and rate of nonconformances and RFV activity is decreasing. This reduction must be supported by documented evidence.

(2) The CMO has high confidence the contractor is making technically sound RFV decisions.

(3) The contractor has an effective process to prevent repeat nonconformances.

(4) The contractor complies with contractual requirements for processing RFVs.

(5) Both the contractor's Control of Nonconforming Products and Outputs and RFV Submittal processes have been rated low risk. Of particular focus is performance history indicating the contractor's RFV Submittal process is accurately classifying nonconformances, accurately annotating number of occurrences or recurrences, identifying root causes and effectively implementing corrective action to preventing recurrence of the nonconformance. Additionally, the contractor must be tracking and completing RFVs in a timely manner.

(6) The contractor has a documented process of self-audits to monitor effective control of their RFV process.

f. After CMO approval, post-review can be implemented in the following situations:

(1) Contractor-wide.

(2) On products produced by a specific manufacturing cell(s).

(3) On selected weapon system programs.

(4) On selected contracts.

(5) At selected sub-tier suppliers.

g. Post-review Process. Additional controls must be in place to minimize risk to the Government. The following post-review tasks must be accomplished by the CMO/FS:

(1) Baseline RFV Submittals. Establish the baseline in accordance with paragraph 3.10. When considering post-review at a sub-tier supplier, the sub-tier FS must include prime contractor NCM results associated the sub-tier supplier in determining performance risk.

(2) Establish a MOA or MOU with the Contractor. The CMO must establish a MOA or MOU with the contractor. The MOA or MOU may be coordinated with major customers at the discretion of the CMO. The contractor may include the MOA, MOU, or its contents, in their procedures. The generation of a MOA or MOU must be coordinated between DCMA technical and contracts personnel, and may include assigned legal counsel, before coordination with the contractor and must include at a minimum:

(a) The statements, "The contractor's decision to proceed with production before approval of an RFV is at their own risk. DCMA does not waive any FAR or contractual requirements and reserves the right to re-examine supplies during any stage of build prior to acceptance," or similar language.

(b) Criteria for the discontinuance and reestablishment of post-review authority.

(c) Identification of any NCM Mandatory Inspection (Hold) Points or mandatory NCM notifications.

(3) Government Response Time. The FS must perform Government post-review within a reasonable time after contractor's RFV decision, in order to reduce the possibility of cost impact (e.g., cost of tear down, etc.).

h. Unique Requirements for Sub-tier Supplier Post-review. The post-review process at a sub-tier supplier must only be implemented when:

(1) The prime contractor has delegated disposition (MRB) to the sub-tier supplier in accordance with paragraph 3.10. and the DCMA FS at the sub-tier has determination authority.

(2) The proposed implementation has been coordinated between the DCMA FSs at the prime and sub-tier supplier.

(3) The DCMA FS at the sub-tier must comply with all the requirements within this section.

(4) The DCMA FS at the sub-tier must include any NCM results from the prime contractor associated with the supplies provided by the sub-tier supplier when determining performance risk. Of special interest are nonconformances the sub-tier contractor incorrectly classified as minor when the nonconformance affected form, fit or function.

i. Discontinuance of Post-review Authorization. The FS must discontinue the contractor's RFV post-review authorization when there is evidence nonconforming material is being improperly processed by the contractor. This can be done contractor-wide or on a selective basis and must be documented.

j. Reestablish Post-review Authorization. The FS may reestablish the contractor's RFV post-review authorization when there is evidence nonconforming material is being properly processed.

3.8. STANDARD REPAIR PROCEDURES (SRP). The term SRP is used as both a (1) NCM disposition selected by the contractor for repetitive nonconformances produced by process or design conditions that cause nonconformances to exist, referred to as common cause process variation and (2) as a disposition, it includes the application of the SRP technique to repair the nonconformance.

a. SRPs as a NCM Disposition. The NCM disposition of SRP can only be selected by the contractor when the nonconformance is caused by a documented process or design condition that causes nonconformances to occur and can only be selected under the documented, pre-defined criteria for that SRP. Once a SRP is approved for use, the SRP as a disposition is outside the RFV process. The contractor can apply the SRP without Government approval as long as its application is within predefined criteria in the SRP. When used as a disposition, the contractor must:

(1) Monitor the number of times the SRP is applied.

(2) Perform a RCA to ensure something else is not causing the nonconformance to exist (special cause process variation).

b. SRPs as a Documented Technique. Unless provided by the customer, SRP techniques are developed and reviewed by the contractor, and must be approved by the Government prior to implementation. Predefined application criteria must include a time limit and/or number of units and/or uses to which the repair will be applied, and an expiration date. The predefined conditions are based on historical records, are sensitive to manufacturing throughput changes and include a usage reduction goal. The requirement to establish an expiration date or finite limit on the number of applications of SRPs may be satisfied by establishing an annual review of each SRP for continuation. A SRP can be applied to a specific type of nonconformance regardless of whether caused by inherent or special cause variation. However, if the nonconformance was the result of a special cause, the contractor must:

(1) Document the NCM disposition as a “Repair” (not a SRP).

(2) Identify the root cause of the nonconformance.

(3) Monitor the number of times the SRP.

c. SRPs as a NCM Disposition**.** The NCM disposition of SRP can only be selected by the contractor when the nonconformance is caused by a documented process/design condition that cause nonconformances to occur, commonly referred to as inherent cause process variation, and can only be selected under the documented, pre-defined criteria for that SRP. Once a SRP is approved for use, the SRP as a disposition is outside the RFV process. The contractor can apply the SRP without Government approval as long as its application is within predefined criteria in the SRP. When used as a disposition, the contractor must:

(1) Monitor the number of times the SRP is applied.

(2) Perform a RCA to ensure something else is not causing the nonconformance to exist (special cause process variation).

d. SRP Approval.

(1) SRPs can be approved by different methods:

(a) Approval for the technique is given in the contract.

(b) Customer approval with DCMA evaluation and recommendation (when FAR 42.302(a)(47) is not specifically withheld).

(c) DCMA approval when the conditions above do not exist.

(2) The FS must:

(a) Provide instructions to the contractor for any DCMA inspection or test witness to be incorporated into the SRP.

(b) Ensure the SRP provides instructions for reprocessing material after repair and before release, including any DCMA inspection and testing.

(3) Approve or disapprove the submitted SRP, unless approved by the PCO or designated representative. Document approval or disapproval in contract file.

e. Control of SRP Usage. The FS must:

(1) Discourage the use of SRPs when process improvements or design changes are appropriate to eliminate the common cause(s) of nonconformances.

(a) Encourage the contractor to work with the program office to change the technical data package (TDP) requirement(s) when the contractor provides documentation the process is not capable of consistently meeting the requirement(s) and why process improvements are not feasible/practical.

(b) Encourage the contractor to submit an engineering change proposal (ECP) to incorporate the SRP into the process, thus eliminating the SRP when the process is not capable of consistently meeting the requirement(s) and applying the SRP is the most feasible/practical solution.

(2) Periodically review the contractor's material review process to ensure SRP dispositions are being applied only to nonconformances caused by the identified and documented process or design conditions (common process variation).

(3) Suspend the use of the SRP until the supplier institutes adequate NCM procedures and practices, when warranted, if the contractor is not performing individual RCA on nonconformances.

(4) Ensure the contractor reviews SRPs periodically to verify they are complete, up-to-date relative to current process capability and repair techniques, and are being properly applied under the conditions defined for their use.

(5) Ensure the contractor has evaluated, verified and internally approved the SRP before submitting to the Government for approval any newly proposed SRPs, unless otherwise directed by the PCO or designated representative.

(6) Ensure the contractor is maintaining records detailing the dates of use and number of applications of SRPs.

(7) Ensure SRPs which have exceeded the predefined application criteria, are submitted as individual RFVs to the Government and the contractor conducts an investigation to determine why the criteria was exceeded.

(8) Withdraw approval of a previously approved SRP, in accordance with guidance on the Resource Page.

(9) Submit documentation to the ACO/CA on the SRP usage for items produced on a contract that contains FAR 52.246-2, to determine whether to pursue consideration on a collective basis.

(10) Extension. Only one temporary extension for the use of SRPs may be granted by the Government. The Government decision to approve an extension should be a collaborative effort between all the FSs associated with the contractor's NCM process.

3.9. COMMERCIAL, COMMERCIAL OFF-THE-SHELF (COTS) AND NONDEVELOPMENTAL ITEMS (NDI). Unless otherwise specified in a contract, letter of delegation (LOD), quality assurance letter of instruction (QALI), MOU or MOA, DCMA is not required to approve/accept or disapprove/reject repaired or UAI NCM on Commercial Items and COTS below the CI part number level.

a. Commercial Items and COTS.

(1) Determination Authority has not been withheld from the DCMA on the Prime Contract. The contractor must submit a RFV to DCMA for determination for any nonconformances found at the CI part number level the contractor is proposing to UAI or repair.

(2) Determination Authority has been withheld from the DCMA on the Prime Contract. The contractor must submit a RFV to the PCO or designated representative for nonconformances found at the CI part number level the contractor is proposing to UAI or repair.

b. NDIs. DCMA's involvement with NDIs minor nonconformances is as specified in the contract.

3.10. DELEGATION TO SUB-TIER SUPPLIERS. Government determination authority is applicable to both prime contractor and sub-tier supplier NCM.

a. Determination Authority has been withheld from the Prime DCMA CMO.

(1) The CMO should assist the prime contractor in requesting authority from the PCO to establish a MRB at a sub-tier supplier.

(2) Where a MRB is not authorized at the sub-tier supplier level, a sub-tier supplier's RFV must be forwarded to the prime contractor for review and disposition in accordance with the approved procedures at the prime contractor.

b. Determination Authority has not been withheld from the Prime CMO. If the prime contractor requests the establishment of a MRB at a sub-tier supplier and final disposition determination will be at the sub-tier, the Prime CMO must issue a LOD to the cognizant sub-tier CMO. The FS at the prime contractor must ensure:

(1) The prime contractor's purchase order/subcontract flows down MRB establishment to the sub-tier supplier.

(2) The sub-tier supplier agrees to comply with MRB/RFV procedures approved by the prime contractor.

(3) The FS at the sub-tier supplier forwards all approved RFVs to the FS at the prime. The sub-tier FS must still perform DC&A on all RFV actions and provide analysis to the Prime CMO.

(4) The FS at the prime must forward the RFVs to the ACO/CA to determine if consideration is required. However, if ACO/CA support administration is also delegated to the sub-tier level, the FS at the sub-tier supplier must refer the approved RFV to the sub-tier ACO/CA. The ACO/CA CO must determine if consideration is warranted.

3.11. DC&A OF CONTRACTOR's NCM PERFORMANCE. DC&A is performed on all NCM regardless of whether a formal reduction program has been established or not. Analysis tool examples can be found on the Resource Page.

a. Description. NCM data is inclusive of all NCM dispositions (rework, scrap, return to vendor/supplier, SRP, unique repair and UAI) and must include the following information. The FS must maintain the following data, independently of any contractor system.

(1) DCMA CMO. CMO receiving the RFV for recommendation/determination.

(2) Contractor Name. Contractor who presented the RFV.

(3) Contractor Commercial and Government Entity (CAGE) Code. CAGE code for the contractor issuing the RFV document.

(4) Date Received. Date received from the contractor.

(5) Contract Number. Contract number applicable to the RFV document. If the CMO was delegated this responsibility by another CMO, enter the delegation unique identifier. Include Delivery Order (DO) number when applicable.

(6) Document Number. Contractor assigned RFV unique identifier or tracking number.

(7) Affected Item Part Number.

(8) Affected Item National Stock Number (NSN). If assigned, NSN affected by the nonconformance.

(9) Affected Drawing-identified Item Nomenclature.

(10) Number of Units Requested for UAI.

(11) Number of Units Requested to Repair.

(12) Nonconformance Description.

(13) Process That Caused the Nonconformance.

(14) Classification. Contractor assigned RFV classification (Critical, Major, or Minor).

(15) Concurrence with Contractor Classification. Concur or Nonconcur.

(16) DCMA Determination/Recommendation Date.

(17) DCMA Determination/Recommendation Decision. Approve/Accept or Disapprove/Reject.

(18) Date Forwarded to ACO/CA.

(19) ACO/PCO seeks Consideration. Decision by PCO to seek/not seek consideration.

(20) Type and Amount of Consideration. Record the type/amount of consideration.

(21) Additional fields that facilitate data analysis or agreed to in the Formal DCMA/Contractor NCM Reduction Program. RFV evaluation records may be included as needed.

b. Baseline. Establish an NCM and RFV baseline with 12 months of data if available. If 12 months of data is not available, use all available data. This baseline must be used to establish thresholds and goals for reduction and improvement efforts. The baseline is to be effective for 1 calendar year.

c. Requirements. The FS's surveillance and DC&A plans must have separate entries for risk titled "Control of NCM Products/Outputs" and "Contractor Processing of RFVs."

d. Frequency of Analysis:

(1) NCM Performance Data. Establish frequency requirements for collection and analysis of Contractor, Government and User/Customer data.

(2) RFV Performance Data. Perform an analysis of the RFVs at a frequency based on the risk and volume of RFVs. Monthly analysis is recommended when contractors submit a high number of RFVs monthly.

e. Analysis. Perform NCM data analysis. Analysis tool examples can be found on the Resource Page.

f. Withhold RFV Approval. When analysis results reveal the contractor is not performing adequate RCA on noncompliances, or there are recurring process and/or characteristic issues, withhold RFV approvals where DCMA has authorization and recommend disapproval on RFVs submitted to the PCO or designated representative citing the contractor NCM process as deficient. Determine if systemic issues exist that warrant issuance of a CAR for noncompliance to contractual requirements.

g. Distribution of Analysis Results. Forward NCM analysis results to the cognizant ACO/CA upon request. Additionally, provide results of RFV data analysis to the ACO/CA for contracts that contain FAR 52.246-2 to assist the ACO in discussions with the PCO on whether to pursue consideration.

h. Risk Reassessment. Reassess risk ratings based on DC&A results and adjust surveillance strategy as appropriate for any changes in the risk rating. Provide results to the PI if applicable.

3.12. FORMAL DCMA AND CONTRACTOR NCM REDUCTION PROGRAM. The objective of the NCM Reduction Program is to work proactively with the contractor to reduce both the amount of NCM and the number of RFV submittals and to promote continuous improvement. Additional guidance can be found on the Resource Page.

a. When warranted by the contractor's performance, the CMO should encourage the contractor to establish a collaborative DCMA and Contractor NCM Reduction Program. Factors to consider are:

(1) A high number of RFVs per month.

(2) Acquisition Category (ACAT) I or ACAT II Program.

(3) Unfavorable Supplier Risk System (SRS) score. A high number of PQDRs may be the driver of the unfavorable SRS score.

(4) Recurring RFVs for the same NCM - characteristic/feature, process or root cause.

(5) Contractor is not meeting previously established reduction goals.

b. Baseline. Use the baseline established during DC&A to establish thresholds and goals for reduction and improvement efforts. The baseline is to be effective for 1 calendar year.

c. Reassess Baseline. Reassess and reestablish a baseline at the end of each calendar year based on the January-December performance data from the previous year.

d. Establish the Formal DCMA and Contractor NCM Reduction Program. Based on contractor performance, the CMO may request the contractor establish a collaborative DCMA and Contractor NCM and RFV Reduction Program.

(1) If the contractor agrees to establish a NCM and RFV reduction program, the CMO initiates the collaborative efforts.

(2) If the contractor does not agree to establish a NCM and RFV reduction program:

(a) The CMO must elevate the issue to the cognizant DCMA Operational Unit.

(b) The DCMA Operational Unit and the CMO must engage with the contractor to determine the best approach to establish a collaborative reduction program.

(c) If the Operational Unit and the CMO are unsuccessful in convincing the contractor to establish a Reduction Program, the Operational Unit must engage the DCMA Senior Leadership Team (SLT).

e. Establish a Formal DCMA and Contractor NCM Reduction Management Council once an agreement is reached, herein referred to as the council. Both DCMA and contractor council members must be at the appropriate management levels necessary to establish and maintain an efficient NCM and RFVs reduction effort. The DCMA council members must include multiple functions as appointed by the CMO Commander, Director, Deputy or CMO Functional Directorates. Council requirements are:

(1) The contractor must develop and document a reduction strategy and plan.

(2) The council must establish metrics, identify thresholds and set reduction goals.

(3) Agreed upon objectives must be vetted through the cognizant DCMA Operational Unit for final approval.

(4) The council must determine and meet at an established frequency.

(5) The council must review data and trend analysis to determine progress toward goals and must document meetings and action items.

(6) If the contractor meets or exceeds established goals, the council may set new reduction goals for the same process(es) or chose another process.

(7) If the contractor is not showing progress or other issues arise requiring resolution, the council must elevate the issue(s) to their respective Corporate Management Councils. If a Corporate Management Council is not in place, the council must elevate the issue(s) to the contractor's senior leadership.

(8) The assigned FS must provide the affected PCO(s) with results and minutes of council meetings.

(9) Provide NCM and RFV reduction status input into the Program Assessment Report (PAR) when it drives the assessment rating.

(10) Contractor NCM data must be treated as sensitive and/or proprietary and not transmitted outside of the Government.

3.13. CONSIDERATION. All actions for consideration up to and including contract modifications must be accomplished prior to product acceptance. The PCO is the final authority on whether consideration will be sought. Consideration can be sought for items containing FAR 52.246-2, Inspection of Supplies - Fixed-Price and for all critical and major nonconformances. Factors to consider when reviewing and providing consideration recommendations to the PCO include the contractor's consideration offer, fabrication costs avoided by the contractor if not required to repair or replace items, any government costs incurred as a result of the NCM and any schedule impacts. FAR 46.407, "Nonconforming Supplies and Services," contains additional guidance on consideration and the information needed by the PCO. The following steps must be accomplished to determine when pursuing consideration either individually or collectively are:

a. The FS must forward the approved RFV, consideration recommendation and supporting documentation to the ACO/CA, who must make the decision whether to ask the PCO to pursue consideration.

b. If the ACO and PCO agree to pursue consideration, the ACO must develop the request. If consideration will not be pursued, the ACO must document as "PCO declined."

c. Typically, the PCO conducts consideration negotiations with the contractor with recommendations from the CMO; however, the PCO may authorize the ACO to negotiate with the contractor. When an agreement is reached with the contractor, the PCO must modify the contract as appropriate.

d. The FS with RFV determination authority must upload the RFV into the CMO contract file, including the final resolution as provided by the ACO/CA. The FS must record outcomes as part of the data collected on RFVs as shown in Paragraph 3.11.

e. Utilizing the data collected on RFVs, the ACO and FS must identify costs and impacts of NCM that should be considered in future contract negotiations for same or similar items. For contractors supported by an Integrated Cost Analysis Team (ICAT), the ICAT Director must also work with the FS to identify any costs and impacts. The ACO must present the data to the PCO where appropriate.

SECTION 4: DISCREPANCY REPORTING

4.1. TYPES OF DISCREPANCIES. Discrepancy reporting is the process of identifying and resolving problems with delivered materials. Reporting is accomplished through the PDREP, a web based system maintained by the Department of the Navy. Three most common types of discrepancy reports are:

a. PQDR. The PQDR reports defects on new or newly reworked material. It can include problems in design, specification, material, and manufacturing. These type of deficiencies are reported on a Standard Form (SF) 368, "Product Quality Deficiency Report" (or electronic version). Depending on when the discrepancy is discovered and the type of material, DCMA will either be the originating point or support point.

b. SDR**.** An SF 364, "Supply Discrepancy Report," also referred to as Report of Discrepancy (ROD), is used to report shipping or packaging discrepancies attributable to the shipper (including US Government sources and contractors, manufacturers and vendors). SDRs may also be used to document product quality deficiencies from foreign military sales customers per Security Assistance Program agreements.

c. Transportation Discrepancy Report (TDR). The TDR reports loss or damage of material in transit or misrouting of material. Transportation deficiencies must be forwarded to the cognizant DCMA Transportation office.

4.2. PQDR PROCESS OVERVIEW. When a deficiency is discovered, a PQDR is initiated in PDREP by the originator/originating point and submitted to the appropriate screening point. The screening point determines the appropriate action point and forwards the report for investigation. The action point must either investigate or assign the report to a support point (typically DCMA) for investigation. When required, any PQDR exhibits are moved between the exhibit holder and the investigating point. Throughout the investigation process, interim responses and other routine correspondence transactions keep each interested activity updated with the current status.

4.3. SDR PROCESS OVERVIEW. When a discrepancy in packaging is discovered, an SDR is submitted in PDREP to the action point for investigation. The action point must either investigate or forward the SDR to the SDRPM for investigation. Exhibits, photographs and/or other documentation may be used for investigating complaints.

4.4. **COMMUNICATION.** PQDRs and SDRs are considered customer complaints, requiring the FS to communicate with multiple personnel to resolve. Open communication, both oral and written is paramount, requiring the FS to communicate vertically and laterally within their chain of command. Occasionally the process requires communication outside of the chain of command to other functional areas, CMO's, Regions, OUCs, customers, and contractors. Communication should be conducted and documented in PDREP in the most efficient manner to achieve the desired results. Collaboration between the DRPM, SDRPM and FS is highly encouraged.

4.5. COMMUNICATION AND ACKNOWLEDGMENT. The DRPM must:

a. Acknowledge receipt within 24 hours for CAT I PQDRs and within 3 calendar days for CAT II PQDRs in PDREP. If the acknowledgment period occurs during facility shutdown periods (weekends/holidays), the acknowledgment must occur on the next business day.

b. Forward the notification of discrepancy to the appropriate CMO team for investigation.

c. Forward Navy Special Emphasis Operations (NSEO) DRs to the NSEO DRPM for investigation. Investigation results must be coordinated with the primary Quality Assurance Representative of the facility.

d. Establish a 20-day suspense for CAT I PQDR investigation reports and a 30-day suspense for CAT II PQDR investigation reports. These suspense dates begin when the PQDR is received and acknowledged by the DRPM.

e. Monitor CMO Quality Deficiency Report (QDR) email boxes and respond to customer complaints within the prescribed time limits.

f. Collaborate with QA personnel on replies as the DR investigation progresses.

g. Collaborate with QA personnel to ensure exhibits are requested when required.

h. Request and forward exhibit disposition instructions, if not previously provided.

i. Provide the final DR investigation report to the action point.

j. Maintain accurate PQDR status in PDREP for data integrity and accurate reporting.

k. Manage PQDR response time in PDREP by suspending the reportable time during pending actions and administration processing of the PQDR. The codes to suspend and manage the PQDR status are accessible in PDREP.

l. Verify the Defect Code Management (DCM) data summary codes are correct and correspond to the information provided in the DLA Form 1227, "Product Quality Deficiency Investigation Report." An explanation of data summary codes is located in DLAR 4155.24, "Product Quality Deficiency Report Program," enclosure 11.

m. Incorporate SDR reports received from SDRPM into monthly and quarterly reports.

n. Send a PQDR report monthly to CMO supervision and a quarterly report to the OUC POC. At a minimum, reports must contain suspense data and exhibit status/location by Report Control Numbers (RCN). Other information pertinent to the CMO may be included. Agency best practice is to segregate RCNs by team office symbol. OUC Quarterly reports are created from consolidation of monthly CMO reports.

4.6. RECEIVE AND REVIEW DR. DRs are normally received electronically in PDREP on a SF 368. Investigations of DRs submitted for warranted items must be handled the same as any other DR. Receipt and review of DR for acknowledgement is the DRPM's responsibility.

a. Review the DR for required information prior to acknowledgment of the DR in PDREP to determine if an investigation is warranted. Request additional information from the action point as needed and add that information to the applicable form if possible. Return DRs with the following issues to the action point, explaining why they are being returned:

(1) Missing contract numbers.

(2) Contract(s) not administered by DCMA.

(3) Locally purchased items.

(4) Transportation-type discrepancies.

(5) Malfunctions involving ammunition and explosives (report under individual DoD Component procedures).

(6) Materiel for Navy Strategic Weapons Systems and the Navy Nuclear Propulsion Program.

(7) Inaccurate information that is not easily correctable.

(8) Subsistence materiel deficiencies (reported by the DoD Hazardous Food and Nonprescription Drug Recall System) in accordance with DLAR 4155.26, “DoD Hazardous Food and Nonprescription Drug Recall System.”

(9) Condition resulted from improper handling or deterioration during storage (report following individual DoD Component procedures).

(10) Materiel failures as a result of inadequate maintenance, improper operation, or normal wear and tear.

(11) Excess or surplus property or billings for services, space, communications and printing as covered in Section 101-26.802 of Title 41, Code of Federal Regulation (CFR), “Exclusions.”

b. Deficiencies, other than malfunctions, involving ammunition and explosives must be investigated in accordance with this Manual.

c. Corrective actions regarding DRs for products procured using a commercial clause are typically limited to product replacement unless a specific contract addendum was imposed.

d. When operating in a Host Nation environment, QA personnel must follow policy as outlined in DCMA-MAN 2501-11, "International Requests for Contract Administration Services," when delegating the performance of the independent investigation to the Host Nation.

e. When DRs are received outside of PDREP, determine if the DR is an information only PQDR or requires an investigation based on the criticality of the deficiency.

f. Contact the action point to confirm the DR contains the correct information, when misdirected DRs are received. Once the correct CMO is identified. redirect the PQDR to correct support point. This will remove the PQDR entirely from the Work list of the transferring CMO.

g. Redirect Navy Special Emphasis Operations (NSEO) DRs to the applicable NSEO DRPM for action.

h. Redirect DRs sent directly to a subcontractor/Place of Performance (POP) location to the cognizant CMO of the prime contractor. A DR sent directly to a subcontractor including a POP facility is misdirected .

i. Delegate subcontracted and POP DRs to the cognizant CMO of the subcontractor through the PDREP PQDR system in accordance with the delegation manual (DCMA-MAN 2101-04). All DR delegations follow the same supply chain path as the prime contractor's purchase order without bypassing cognizant CMOs of sub-tier suppliers. Each sub-tier supplier will have to address proper flow down of requirements and sub-tier vendor control.

4.7. CONDUCT INITIAL DR INVESTIGATION. The FS must:

a. Conduct an initial investigation to determine if there is any previous history regarding the identified deficiency. This investigation should include a review of Government records and supplier performance data such as DC&A results on NCM performance and supplier performance data. Consult with the DRPM as needed.

b. If a reported deficiency is the same as a previously resolved DR, or the deficiency is currently under investigation, a response must be provided to the customer indicating any previous or current corrective actions taken by the supplier.

c. If support is needed at a subcontractor level to support an investigation (i.e., verify corrective actions taken by the supplier/subcontractor), delegate the request for support in PDREP. The prime CMO retains responsibility and must still conduct an independent investigation.

4.8. DETERMINE NEED FOR DEFICIENCY REPORT EXHIBITS. DRPM/FS must:

a. Determine if the supplier requires exhibits for an investigation. The exhibit request or declination must be accomplished within 7 days using the Contractor Request for Exhibit Letter in PDREP to the Action Point.

b. Review the Contractor Request for Exhibit Letter to determine if the exhibit is necessary to facilitate the investigation of the identified deficiency or in the best interest of the Government.

(1) For repeat PQDRs, ensure the decision to request exhibits is based on the terms of the initial PQDR Corrective Action Plan (CAP) (e.g., previous investigation results associated with the defect attribute(s) and preventive measures implemented by the contractor), when repeat PQDRs were previously investigated and it was determined an effective CAP was implemented.

(2) Validate PDREP assigns a new 30 days suspense date when exhibits are requested. The DRPM may extend the suspense date an additional 30 days within PDREP, at which time either an interim or a final reply must be released to the action point.

(3) Ensure a final reply report is released to the action point when exhibits are not received by the 60-day maximum waiting period.

(4) Ensure investigation reports include an assessment of current production, inventory, and the results of a record review. At a minimum, the record review includes both supplier and DCMA records, drawings, specifications and any other contractual requirements needed to assist the action point in determining cause.

(5) A final reply on DLA Form 1227, including the review results, is required even if the exhibit has not been received. Additionally, the report must stipulate the investigation cannot advance until the exhibit arrives and the PQDR is rebutted back to the support point.

4.9. RECEIVE REQUESTED EXHIBITS. DRPM/FS must:

a. Redirect exhibits received at a location other than the responsible vendor's location as required.

b. Witness the opening of the package containing exhibits to verify contents and ensure no damage occurred during shipment.

(1). In the event of damage during shipment, document the extent of the damage on the Exhibit Receipt Letter in PDREP and notify both the action point and supplier.

(2). Depending on the extent of damage, the DR investigation may be limited to a collaborative review with the supplier.

c. The collaborative review must include supplier and DCMA records, drawings, specifications and other contractual requirements. Photographic evidence may be reviewed when deemed necessary.

d. Ensure the exhibit(s) is tagged with DD Form 1575, "Suspended Tag – Materiel," and DD Form 2332, "Product Quality Deficiency Report Exhibit." Document any missing forms on the

exhibit receipt letter in PDREP and notify the action point and the supplier of any missing documents.

e. Send the Exhibit Receipt Letter to the action point within 5 days of receipt of the exhibit.

f. Complete the final report within 20 days (CAT I) and 30 days (CAT II) after receipt of the exhibit. Any evidence, including photographs, should be attached to the PQDR. If suspense dates will be missed, provide an interim status reply in PDREP to the action point, including the anticipated completion date.

4.10. CONDUCT DEFICIENCY REPORT INVESTIGATION. The FS must:

a. Perform a comprehensive independent investigation and coordinate with the supplier, as required, to identify the following information:

(1) Root cause(s) of the noted deficiency(ies). The following must be considered when determining root cause:

(a) If technical data or design and/or packaging deficiencies are suspected, coordinate with the CMO engineering and/or packaging specialist for assistance.

(b) Completeness and clarity of contractual requirements, including the TDP.

(c) Sub-tier vendor control if applicable.

(d) Completeness, clarity, and compatibility of supplier product realization. documentation, such as work orders, product and process specifications, purchase orders, inspection plans, and test procedures to contractual requirements.

(e) Competencies of manufacturing, inspection, and test personnel.

(f) Adequacy and condition of tooling.

(g) Control of supplier manufacturing, measuring and test equipment.

(h) Adequacy and compatibility of the product verification methods used by both the supplier and the customer.

(i) Adequacy of packaging and handling methods.

(j) Supplier investigations and corrective action responses that attribute non-conformances to “surface causes” such as operator error, poor workmanship, or new employee must be challenged and investigated further.

(2) Evaluate and ensure the supplier takes effective corrective action to address the root cause of the deficiency to preclude recurrence.

(3) Evaluate supplier's position with respect to repair, replacement or refund of product(s). Additionally, items under warranty require corrective action. If items are covered by warranty, the repair, rework or replacement and associated costs must be handled in accordance with the warranty requirement in the contract as applicable to FAR Subpart 46.7 and DFARS Subpart 246.7. Investigations of DRs submitted for warranted items must be handled the same as for other DRs. Contract terms and conditions take precedence over this manual

(4) Ensure PQDR DCM data summary codes located within PDREP are used in the investigation report.

(5) Ensure all affected products lines have been considered including current production, product awaiting shipment, delivered product, and product in inventory.

4.11. DETERMINE NEED FOR ADJUSTMENTS TO SURVEILLANCE. As a result of the investigations (or as necessary), the FS must document DR surveillance activities, conduct analysis and document additional risk causes and make adjustments to the intensity/intervals in the surveillance plan in accordance with the program support plan.

4.12. COMPLETE THE DR INVESTIGATION. The FS must:

a. If at any time during the investigation, the material is believed to be counterfeit or an unauthorized product substitution, immediately contact the CIC for additional guidance before proceeding.

b. Document the PQDR investigation results on DLA Form 1227 by following the DLA Form 1227 Instruction Guide in PDREP and on the Resource Page.

c. Ensure applicable cause codes are selected. Cause codes X (undetermined cause) and Z (not applicable) may only be used as a last resort when a thorough investigation does not validate any other cause code. Properly coding investigations helps facilitate the data analysis needed to identify problematic vendors or groups of items.

d. Forward results to the FLS or their designee for review prior to release to the DRPM. The FLS should review investigation results and ensure data integrity, by verifying such things as:

- CAGE code
- Contract number
- DCM codes match investigation results
- Responsibility codes

e. After the FLS or designee approval, the DRPM must:

(1) Obtain the CMO Commanders/Directors approval for CAT I PQDR responses prior to final release to the action point and document the approval in PDREP.

(2) Concur with or modify the DCM Data (defect/cause code) entries prior to releasing to the action point.

(3) Recommend the action point forward results to the GIDEP representative as needed.

(4) Request disposition instructions via PDREP for any exhibits after sending the final reply.

4.13. DISPOSITION OF INVESTIGATION EXHIBITS. PQDR exhibits are government property and require disposition instructions from the action point. Depending on local guidance, either the DRPM or FS personnel must request disposition instructions via PDREP.

a. Provide the supplier with a copy of the disposition instructions and ensure the PQDR exhibit is returned to the Government in accordance with the instructions provided from the action point. If there is loss, damage, or destruction of Government property while in the custody of the supplier or sub-supplier, the DCMA Government Property Administrator must be notified for appropriate action.

b. If the supplier determines the property is to be scrapped, ensure the contractor coordinates submission of excess with the Plant Clearance Officer for disposition instructions.

c. Upload the shipping document(s) indicating exhibit disposition instructions were executed into PDREP.

d. The FS must notify the DRPM when the exhibit ships.

e. DRPM must issue the Exhibit Return Letter from PDREP informing the action point when the item has been shipped. This may include DD Form 1149, “Requisition Shipping Form,” or commercial shipping document from the supplier.

f. If disposition instructions are not received within 30 days after the final investigation reply, request the contractor return the exhibit to its place of origin via the property transfer functionality within the Wide Area Workflow. Include the original transportation control number. If the exhibit is obviously scrap matreriel, or the supplier fails to return the exhibit, ensure the contractor enters the property into the Plant Clearance Automated Reutilization Screening System for disposition instructions per FAR 52.245-1(j).

g. Complete required entries in PDREP after exhibit disposition to close the investigation.

4.14. SDR SUPPORT POINT PROCESSING.

a. SDR processing and investigations follow the PQDR process with the following exceptions:

(1) Packaging specialists are assigned as the SDRPM.

(2) Formal deficiency reports are normally received electronically on a SF 364 in the PDREP system.

(3) SDRPM determines if an investigation is warranted. Investigations must be accomplished within 25 days of receipt. If an investigation will take longer, the SDRPM must provide an interim reply to the action point with the investigation status and an anticipated completion date.

(4) Photographs and documentation may be used in lieu of exhibits for investigations.

b. SDRPMs may need to request photographs and documentation. If the requested items are not received within 14 business days of request, the SDRPM must submit a final reply to the action point stating the investigation cannot advance until the requested items have been received and the SDR rebutted back to DCMA. Packaging Specialist must perform the SDR investigation.

c. If the SDR is valid, provide the results of the investigation to the DRPM copying the cognizant FS.

d. If a SDRPM requires support for investigating a complaint, send a request to the DRPM copying the cognizant FS through the PDREP system

e. Monitor reported discrepancies applicable to procurement source shipments.

f. Data collected must be sufficient to enable monitoring activities to:

(1) Identify trends.

(2) Bring management attention to problems with shipping activities as necessary.

(3) Identify and prevent recurring discrepancies.

(4) Measure quality and responsiveness of action activities.

(5) Assess vendor performance to ensure compliance with contract requirements.

4.15. ORIGINATING POINT PQDR PROCESS FOR GFP.

a. Request the supplier prepare the SF 368 to report the receipt of deficient GFP to the Procuring Office. If the supplier is not contractually obligated to write a PQDR, the cognizant FS or DRPM must complete the form in PDREP.

b. Ensure the supplier segregates and quarantines suspected deficient material. Use the suspected deficient material as exhibits.

c. Verify the supplier’s RCN is constructed properly for supplier initiated SF 368s.

d. Replace the DoD Activity Address Code (DoDAAC) portion of the RCN with the CAGE code of the supplier in receipt of the defective GFP, preceded by the number "0." If a PDREP warning stating “RCN Activity does not belong to this command” is received, the PQDR should still be processed in PDREP. If you cannot proceed, contact the PDREP help desk.

e. Verify and annotate concurrence with the supplier's findings in Block 3 of the SF 368.

f. Forward the SF 368 through the ACO to the cognizant PCO and copy the DRPM within 5 days of receipt.

(1) The PCO will provide the screening point where the FS should forward the PQDR.

(2) Update the contractor on the status and disposition of the defective GFP.

g. Shipping and Packaging. When the discrepancy is related to packaging or the carrier, notify the SDRPM. The SDRPM must follow the procedures in this section except report the discrepancy on an SF 364 and follow the distribution in Defense Logistics Management (DLM) Standard 4000.25, Chapter 17, C17.3.10, “Product Quality Deficiency Report.” If the discrepancy is related to a transportation matter, notify the Transportation Officer.

h. Industrial Plant Equipment. Follow the Originating point PQDR process and forward the discrepancy to DLA Aviation Industrial Plant Equipment Services Division, DLA-Avn/VI Richmond, Virginia, as the screening office. One copy of the SF 368 must be sent to the ACO and one to the Property Administrator.

SECTION 5: COUNTERFEIT MITIGATION

5.1. DCMA COUNTERFEIT DETECTION AND AVOIDANCE SYSTEM (CDAS). Counterfeit mitigation applies to every contract and contractor. Utilize the CDAS Checklist and the Counterfeit Checklist Standard Operating Procedures (SOP), located on the Resource Page, as part of the performance factors assessment for **all** suppliers (mechanical, material and electrical). Special Attention should be paid to the following:

a. Purchasing System. Every contractor should have a Purchasing System or process to mitigate the risk of purchasing counterfeit product. Evaluate the system or process utilizing the CDAS Checklist to determine counterfeit risk to the government and protect the supply chain.

(1) The CDAS Checklist is based on the system criteria per DFARS 252.246-7007(c). DFARS 252.246-7008, "Sources of Electronic Parts" applies under DFARS 252.246-7007(c)(4) & (5).

(2) Use the CDAS Checklist to evaluate a contractor's counterfeit risk mitigation efforts at contract receipt, annually and as events/risks occur as part of the performance factors assessment for all suppliers.

b. Electronic Parts Specific.

(1) Utilize the CDAS Checklist to determine if the supplier has an acceptable system meeting the requirements prescribed in DFARS 252.246-7007 when the clause is present and applicable in the contract. Additional guidance can be found in DCMA-Manual 2301-01, "Contractor Business Systems."

(2) Utilize the CDAS Checklist when procuring electronics to determine if the supplier complies with DFARS 252.246-7008 when on contract. The contractor must:

(a) Have traceability of electronic parts from the original manufacturer to product acceptance by the Government. Inspection, testing, and authentication is required when traceability cannot be established.

(b) Not commingle new electronic parts with used, refurbished, reclaimed, or returned items.

(3) The costs of the counterfeit/suspect counterfeit electronic parts and any associated rework or corrective action costs required to remedy the use or inclusion of such parts are allowable per DFARS 231.205-71 when the contractor has a DoD approved operational system and fully meets other requirements of this clause to include timely notification to the PCO.

c. All Material Specific. Utilize the CDAS Checklist to determine whether the supplier has a system or process to effectively control NCM, including suspect counterfeit, with mechanisms to identify, segregate, determine root cause, apply corrective action and properly disposition NCM, in accordance with DoDI 4140.67, "DoD Counterfeit Prevention Policy." Await disposition of counterfeit/suspect counterfeit material until given direction from CIC and or legal authority.

d. Reporting. For applicable electronics, document deficiencies on the CDAS Checklist and report results to the ACO.

(1) The report template summarizing the CDAS Checklist can be found on the Resource Page. This report supports Contractor Purchasing System Reviews (CPSR), and is a part of purchasing process surveillance to ensure contractor execution.

(2) Provide CDAS Checklist results specific to the evaluation of the contractor's system/process to support a CPSR when requested.

e. CAR. Issue a CAR and evaluate surveillance if CDAS Checklist results reveal any violation of contractual terms, business system or specifications.

f. Preaward Survey. Support the preaward survey at the request of the PASM to specifically address the contractors' counterfeit risk mitigation processes and procedures. The PASM and FS determine appropriate factors of the counterfeit risk mitigation system to evaluate. The CDAS Checklist is utilized to evaluate the contractor's ability to reduce the likelihood of their failure to detect counterfeit.

5.2. CONTRACT RECEIPT AND REVIEW (CRR).

a. The FS and the ACO must review the contract to identify counterfeit mitigation clauses and standards. This review must include the following requirements, when applicable:

(1) In coordination with the ACO, identify the presence of DFARS clauses and industry standards within the contract. A listing of the appropriate clauses and standards can be found on the Resource Page.

(2) If counterfeit mitigation clauses are missing, conflicting, and/or ambiguous, the FS submits a CDR requesting appropriate counterfeit mitigation clause(s) be added to the contract to address procurement of electronic parts. The ACO must validate the CDR and contact the PCO as applicable.

(3) Coordinate with a DCMA-certified software professional to ensure software requirements review is performed when software requirements are in the contract. This includes both software embedded in end items or systems and standalone software products. Contact the DCMA Software Engineering and Acquisition Management Center if a local software professional is not available.

b. Identify areas of elevated counterfeit risk utilizing the CIC published guidance, "Raising the Red Flag; Fraud Indicators; Counterfeit Parts" and "Raising the Red Flag; Fraud Indicators For DCMA Quality Assurance Personnel; Electronic Parts/Supplies" found on the Resource Page. The indicators listed in these documents identify areas at higher risk for counterfeit which require mitigation. The FS evaluates the contract utilizing DCMA-MAN 2303-01 and/or applicable functional instruction.

c. Identify counterfeit mitigation requirements in the contract, TDP (contract specifications), QALI or LOD. Identify all applicable contract clauses for the detection and avoidance of

counterfeit parts including customer clause/requirements, industry standards, or flowed down process requirements. These requirements include customer clauses and requirements, industry standards, or flowed down business process requirements. Examples of counterfeit mitigation contract requirements are located on the Resource Page.

d. Discuss the identified contract deficiencies (i.e., no counterfeit mitigation clauses or industry standards that address known counterfeits) with the cognizant ACO and issue a CDR in accordance with DCMA-MAN 2501-01, "Contract Receipt and Review," when:

(1) The contractor/subcontractor is Cost Accounting Standards (CAS) covered, is procuring electronics and DFARS 252.246-7007 is not on contract.

(2) Procuring Electronics and DFARS 252.246-7008 is not on contract.

e. If no counterfeit risk mitigation requirements are on contract for non-electronics (i.e., AS9100D or AS6174), identify the risk and discuss with the ACO. Issue a CDR if appropriate.

5.3. POSTAWARD ORIENTATION CONFERENCE (PAOC).

a. Participate in the PAOC as required or determined by counterfeit risk. PAOC meeting agenda topics must include counterfeit mitigation strategies as applicable to the contract.

b. The FS must provide available suspect or confirmed counterfeit risk information, such as GIDEP reports, to the ACO when necessary to support a PAOC.

5.4. COUNTERFEIT RISK ASSESSMENT. The intent is to identify risks associated with suspect counterfeit parts. Utilize the CDAS Checklist as part of the risk assessment to determine if the supplier has an acceptable CDAS or process. Include results from all areas including the Purchasing System Review, Electronic Parts and NCM process. Identify the risk and schedule appropriate surveillance when a deficiency noted on the checklist may cause the contractor to be unable to ensure the conformance of supplies. Assign a risk likelihood rating based on source assessment (Table 1) of the purchased material in accordance with DCMA risk mitigation procedures and processes.

a. Counterfeit Risk Cause Likelihood. The risk of purchasing counterfeit parts/materiel is based on the contractor's source (see Table 1). The FS determines the likelihood ratings for each risk cause and documents these ratings in the appropriate risk plan or as detailed within the applicable manual. The Source column is specific to counterfeit and will help guide decisions.

b. The CDAS Checklist is utilized as part of the performance factors and indicators assessment and identifies processes with performance problems. Identified processes are added to the FS's surveillance plan to be monitored during execution of functional surveillance. Any counterfeit mitigation process at risk would be associated with a risk statement generated from questions on the risk statement generator or the applicable manual.

c. Review the contractor's execution of processes and procedures at least annually; however, if a high risk is assigned to a contractor's process, or a risk event occurs, the surveillance frequency should be increased accordingly. The source assessment of the purchased material

should also be considered when determining frequency. The recommended surveillance frequencies are shown in Table 1.

d. During the risk assessment process, all FSs responsible for contract administration perform periodic re-evaluations of the identified counterfeit risks added to their surveillance plan as risk events or changes in performance occur. This includes using the CDAS Checklist as part of the performance factors assessment to determine if the supplier's processes remain in control. The CDAS Checklist may be used as an extension of the performance factors assessment.

Table 1. Counterfeit Risk Cause Likelihood

Counterfeit Risk Cause Likelihood	How Likely is the Risk Cause to Occur?	Source	Recommended Surveillance Frequency
High	Highly likely to occur.	Distributor with a history of providing suspect counterfeit parts, fraudulent activity	Quarterly
	Performance data shows evidence of an inability to meet the contractual requirements.		
	Materiel extremely difficult to obtain.		
Moderate	Probable or likely to occur.	Open Market Purchase	Semiannually
	No data available to show the suppliers' ability to meet contractual requirements.	Non-Authorized or Non-Franchised Distributor	Semiannually
	Materiel somewhat difficult to obtain.	Non-Authorized Distributor with proven track record Qualified Testing Suppliers List (QTSL) Qualified Suppliers List of Distributors (QSLD) Authorized Distributors who are also resellers	Semiannually
Low	Unlikely to occur.	Authorized Distributors Authorized Aftermarket Manufacturer Original Equipment Manufacturers (OEM) Contract manufacturer	Annually
	Performance data shows evidence contractual requirements will be met.	Qualified Manufacturers List (QML) Manufacturer on the *Qualified Products List (QPL)	Annually
	A common materiel and not difficult to obtain.	Original Manufacturers (OM) Original Component Manufacturers (OCM)	Annually

***Qualified Products List (QPL) Authorized Distributors must have traceability to the Original Manufacturer/Authorized Aftermarket Manufacturer**

e. Obsolescence. A part is obsolete when it is no longer available from the OM or an authorized aftermarket manufacturer. If a part (hardware or software) is determined to be obsolete or out of production, increase surveillance (method and frequency) to address the elevated risk of suspect counterfeit. An item purchased from sources **other than** the OM or OCM is an indicator of potential suspect counterfeit.

f. Level of Counterfeit Risk Cause Likelihood. The level of counterfeit risk cause likelihood indicates the extent of surveillance needed.

g. Procurement Contracting Officer Notification. If during or after performing CRR, the FS determines the contract is deficient as based on counterfeit risk, notify the ACO/PCO to issue a CDR.

5.5. SURVEILLANCE PLANNING. As part of the FS's surveillance plan, develop and make adjustments as needed based on changes to risk of counterfeit. The level of counterfeit risk determines the needed surveillance level.

5.6. DELEGATION. When a prime contractor subcontracts for supplies, the CMO cognizant of the prime contractor may delegate counterfeit surveillance to the CMO cognizant of the subcontractor in accordance with DCMA-MAN 2101-04.

a. The prime contractor is responsible for monitoring incoming parts (hardware or software) during receipt and inspection. If the FS identifies counterfeit risk associated with a prime contractor's sub-tier supplier, a delegation must be issued to address counterfeit mitigation based on risk further down the supply chain to the fullest extent possible, to protect the Government's interest.

b. When delegating, the delegator must communicate counterfeit requirements and risks to the delegatee in advance.

c. The delegatee must evaluate contractor performance through surveillance activities identified in accordance with the delegation or surveillance plan. The CDAS Checklist can be utilized to support this activity.

5.7. SURVEILLANCE EXECUTION. Execute, maintain, adjust and document surveillance in accordance with developed surveillance plans and all applicable Manuals.

a. Contractor has a CDAS as required by contract or by contractor's business process. Utilize the CDAS Checklist to verify all incidents of counterfeit or suspect counterfeit materiel have been handled in accordance with the contractor's counterfeit risk mitigation process. A sample "Contractor's Suspect Counterfeit Notification Process" is located on the Resource Page. If the contractor is not following their internal process(es):

(1) Issue a CAR in accordance with DCMA-MAN 2303-04.

(2) Perform a counterfeit risk assessment.

(3) Revise the surveillance plan as necessary.

(4) Perform appropriate surveillance as determined by risk.

b. Contractor Does Not Have a CDAS and a system is not required by contract. Utilize the CDAS Checklist to perform a counterfeit risk assessment and revise surveillance as needed. Counterfeit risk mitigation processes and procedures include:

(1) Inspection System. FAR 46.202-3 requires the contractor to provide and maintain an inspection system acceptable to the government via the designated standard inspection clauses (FAR 46.303 through 46.308).

(2) Higher-Level Quality. FAR 46.311 which invokes higher-level contract quality requirement of FAR 52.246-11.

(3) Control of nonconforming material process adequate to mitigate the risk of counterfeit (counterfeit is a subset of nonconforming material).

5.8. SUSPECT COUNTERFEIT IS IDENTIFIED.

a. If there is reason to believe the contractor is engaged in providing counterfeit parts/materiel, whether by forging documentation or by providing substandard material, or a subcontractor has provided counterfeit parts to the prime and these parts are being included in the final product supplied to the Government, the FS must:

(1) Immediately notify the CIC, chain of command, and investigative agencies to determine the appropriate path forward. Follow the CIC guidance.

(2) The FS must not independently initiate a fraud/counterfeit investigation. The suspect counterfeit item(s) may be associated with an ongoing investigation.

(3) Under no circumstance will the FS notify the contractor.

(4) After coordination with the CIC, submit appropriate GIDEP notifications as defined in this manual and in accordance with DoDI 4140.67.

(5) Contact the CIC for guidance if a "DoD IG Notice of Suspected Defective Product," is received.

b. If the contractor discloses a discovery of suspect counterfeit item(s):

(1) Immediately notify the CIC, chain of command and investigative agencies as appropriate to determine the path forward.

(2) Encourage the contractor to self-report to the GIDEP even when not contractually required. If the contractor does not self-report, submit the appropriate GIDEP notifications in coordination with CIC, as defined in DoDI 4140.67.

c. Counterfeit Investigations. CIC is the lead for the investigation and must provide guidance as needed.

d. Confirmed Counterfeit Material. After the contractor has received final disposition approval and/or direction from the appropriate authority, confirm the material has been rendered unusable to prevent possible reentry into the supply chain.

5.9. DATA COLLECTION AND ANALYSIS. Perform data collection and analysis in accordance with applicable functional manual and re-evaluate Counterfeit Risk as appropriate.

5.10. PRODUCT ACCEPTANCE. The FS must perform product acceptance in accordance with DCMA-MAN 2101-01, "Acceptance." Product acceptance of any electronic equipment that contains embedded software or firmware must be in accordance with DCMA-MAN 4401-08, "IT Acquisition Management".

5.11. COTS ITEMS. The FS must include a review of the counterfeit detection and avoidance requirements flowed down to subcontractors at all levels in the supply chain responsible for buying or selling assemblies containing electronic parts and/or software. COTS items must have documented traceability back to the original manufacturer or authorized aftermarket manufacturer.

SECTION 6: GIDEP AND THE DCMA FORUM

6.1. PROCESS OVERVIEW. The GIDEP and the DCMA Forum (referred to as the Forum) are two separate systems accessed by two separate web addresses. Web addresses can be found on the Resource Page. Potential users should determine whether access is needed for one or both systems before requesting access.

a. GIDEP is a cooperative effort to exchange information among government and industry participants about nonconforming product or processes, counterfeit and obsolescence issues along with research, development, design, testing, acquisition and logistics information. GIDEP seeks to reduce or eliminate expenditures of time and money and to improve the total quality and reliability of systems and components during the acquisition and logistics phases of the life cycle.

(1) Contractor participation in GIDEP is voluntary unless specified in the contract. This information is typically found in the contract as a CDRL.

(2) Primary and Alternate GIDEP Representatives are also the "DoD IG Notice of Potentially Defective Product/Safety Alert" Coordinator and the DCMA Forum Administrator (DCMA FA).

(3) "GIDEP Notice" refers to Failure Experience Data (FED), Urgent Data Request (UDR), and Product Information Data (PID) Notices. Additional information can be found under "The DCMA GIDEP Push Mail Notices Review Chart" on the Resource Page:

(a) There are five types of FED Notices:

- Alerts (A) Notice
- Safe-Alerts (SA) Notice
- Problem Advisories (PA) Notice
- Agency Action Notice (AAN) (AAN-L (Limited Distribution to Government-only members) and the AAN-U (Unlimited Distribution))
- Lessons Learned (LL)

(b) There are two types of UDR Notices:

- Source of Supply Notice
- Request for Information (RFI) Notice

(c) There are three types of PID Notices:

- Diminishing Manufacturing Sources and Material Shortages (DMSMS) Notice
- Product Change Notice (PCN)

- Product Information Notice (PIN)

b. GIDEP contains other sections such as Engineering Data, Metrology Data and Reliability-Maintainability Data that may contain useful data for other functional analyses.

c. The criteria for issuance of an AAN-L and a PA are:

(1) Potentially nonconforming supplies or processes that do not meet contractual requirements (including purchase orders), catalogue descriptions or referenced specifications, and,

(2) Continued supply or use of these supplies or processes could adversely affect other Government agencies (buying activities and/or weapon system programs) or contractors/ suppliers, if not reported to GIDEP.

d. DCMA Forum is a DCMA only internal communication system (the weblink to the DCMA Forum is on the Resource Page) to:

(1) Exchange and develop information concerning nonconforming supplies, processes and materials and quality escapes affecting multiple contracts and/or product lines.

(2) Communicate information on systemic issues that may affect multiple items and/or contractors to ensure FSs are aware of potential issues and concerns. The following are typically communicated through the Forum:

- DCMA Level III & Level IV CARs
- National Aerospace and Defense Contractors Accreditation Program (NADCAP) issued Supplier Advisory
- GIDEP Suspect Counterfeit Notice Advisory summary
- Navy Special Emphasis Program (NSEP) Supplier Audit Program Reports
- Contractor Self-Disclosures
- DCMA Audits of significance to multiple CMOs

(3) "DoD IG Notices of Potentially Defective Products/Safety Alerts" could also be received as a SA Notice, an AAN-L or AAN-U, a PA Notice, or through the Forum. If you become aware of a DoD IG notice through external sources, please contact the HQ GIDEP and CIC representatives.

6.2. REQUIREMENTS.

a. The HQ GIDEP Program Manager as the Lead GIDEP Representative, the Lead "DoD IG Notice of Defective Product/Safety Alert" Coordinator and the Lead DCMA FA for the DCMA must:

(1) Maintain and update the GIDEP section of this manual, the DCMA GIDEP and Forum training and associated Resource Page content.

(2) Maintain a current list of OUC and CMO Primary and Alternate GIDEP Representatives. Annually generate an Agency Tasking memorandum requesting verification of OUC and CMO Primary and Alternate GIDEP Representatives and information related to any changes.

(3) Distribute "DoD IG Notices of Potentially Defective Product/Safety Alerts" to the OUC and CMO GIDEP Representatives.

(4) Review emailed GIDEP's "Weekly Document Summaries and Parts Listings" for GIDEP Notices, including new Counterfeit/Suspect Counterfeit notices.

(a) Generate and distribute Forum Topics on relevant GIDEP Notices via the Forum within 5 Government workdays of awareness.

(b) Generate and distribute GIDEP "Suspect Counterfeit Advisories" to the cognizant CMOs that can influence the parties involved in the advisories.

(5) Execute administrative activities, as outlined on the Resource Page, associated with the Forum including:

(a) Sign-up and deactivate Forum members for the Agency.

(b) Review and electronically distribute Forum Topics to Forum members. Review forum topics for compliance with International Traffic in Arms Regulations (ITAR) and Export Administration Regulations (EAR) to ensure such topics are not released with restricted information to DCMA Foreign National employees.

(6) Receive ITAR and EAR training sufficient to enable identification of ITAR and EAR restricted information to prevent release to DCMA Foreign National personnel via the Forum.

(7) Execute administrative activities associated with the GIDEP AAN-Ls, auto-generated from PQDRs supported by DCMA personnel, to include:

(a) Review, analyze and coordinate distribution of AAN-Ls from the PDREP system to Government-only members of the GIDEP.

(b) Provide recommendations to the DCMA PQDR POC and request their final decision regarding distribution of the auto-generated AAN-L and provide the final decision to the GIDEP Representative for distribution disposition action.

(8) Submit the Annual Utilization Report (AUR) using the GIDEP Participation Utilization Reporting System (PURS). The AUR is required to be submitted before November 1st and should include benefits received since the last report.

b. CMOs must:

(1) Appoint CMO Primary and Alternate GIDEP Representatives. Streamline CMOs may be represented by the Primary CMO or may elect to appoint their own representatives.

(2) Participate in issuing, reviewing and disseminating appropriate GIDEP FED Notices about potential or known nonconforming supplies; processes and materiel not meeting manufacturing specifications, design, composition or TDP requirements; and possible/actual material shortages. Counterfeit is a subset of nonconforming supplies, processes and materiels.

(3) Promptly investigate and notify all potentially affected CMOs and procurement and program offices of potential issues with a serious hazard to health, safety, or operational readiness. The preferred method is direct contact, followed by a Forum Topic.

(4) Immediately report, occurrences of speciality metals noncompliances to the HQ GIDEP Program Manager. Section 2533b of Title 10, United States Code (U.S.C.) restricts DoD procurement of specialty metals in six categories of major weapons systems. The law is implemented by three DFARS clauses that appear in most DoD contracts for major weapons systems or their components: DFARS 252.225-7008, DFARS 252.225-7009, and DFARS 252.225-7010. The HQ GIDEP Program Manager will assist with reporting of specialty metals noncompliances.

c. CMO Primary and Alternate GIDEP Representatives must:

(1) Apply for access to the GIDEP through your organization's representative. GIDEP training is located on the Resource Page.

(2) Report CMO Primary and Alternate GIDEP Representatives names and changes to both the OUC GIDEP Representatives and the HQ GIDEP Program Manager.

(3) Distribute "push-mail" GIDEP Notices and "DoD IG Notices of Potentially Defective Products/Safety Alerts" to FS/GIDEP Users. "DoD IG Notices of Potentially Defective Products/Safety Alerts" are received from the HQ GIDEP representative.

(4) Verify and approve CMO personnel GIDEP user accounts.

(5) Communicate information on all GIDEP/Forum issues to and from the:

- HQ GIDEP Program Manager,
- OUC GIDEP Representative, and
- CIC/Assigned Legal Counsel (ALC)

(6) Generate and submit GIDEP notices and data for inclusion into the GIDEP database.

(7) Review and take appropriate action as necessary on Forum Topics which affect the CMO.

(8) Review the emailed GIDEP Weekly Document Summaries and Parts Listings to determine if CMO contractors, contracts, programs, supplies, items are impacted.

(9) Submit the AUR, using the PURS. Submit the AUR before November 1st and include benefits received since the last report.

d. GIDEP Users must:

(1) Apply for access to GIDEP through your organization's representative. GIDEP training is located on the Resource Page.

(2) Report findings to the CMO GIDEP Representative when encountering NCM or processes that may affect other DoD contractors.

(3) NOT release GIDEP or Forum data and information outside of DCMA.

(4) Take direction from the CIC or ALC and the CMO GIDEP Representative when dealing with the GIDEP Suspect/Confirmed Counterfeit Notice Advisory Summaries.

(5) Become members of the Forum.

e. DCMA Foreign National Employees.

(1) CANNOT become GIDEP Users; however, they can assist GIDEP Users with reporting occurrences of nonconformance, including counterfeit, and in gathering data.

(2) Must report findings to the DCMA POC/FS and/or CMO GIDEP Representative upon becoming aware of nonconforming supplies or processes. The POC and/or GIDEP Representative must assist in determining if a GIDEP FED Notice should be issued.

f. CIC/ALC must:

(1) Distribute received "DoD IG Notices of Potentially Defective Products/Safety Alerts" to the OUC GIDEP Representatives. Distribution outside the Government is prohibited.

(2) Ensure information from fraud investigations is treated confidentially and designated "For Official Use Only (FOUO)" when passed between Government activities, and is not disclosed without the consent of the investigative agent.

(3) Ensure any product investigation related to information disclosed in a "DoD IG Notices of Potentially Defective Product/Safety Alert" is coordinated with the investigative agent if one is assigned to the investigation.

6.3. INFORMATION HANDLING CAVEATS.

a. Fraud Investigations. Information from fraud investigations must be treated confidentially and designated "FOUO" when passed between Government activities, and must not be disclosed without the consent of the investigative agent or the cognizant DCMA CIC or ALC.

b. DoD IG Notices of Potentially Defective Products/Safety Alerts. These alerts must be designated "For Official Use Only–Law Enforcement Sensitive (FOUO–LES)." Any product investigation related to information disclosed in an alert must be coordinated with the investigative agent. Distribution outside the Government is prohibited.

c. DCMA Forum.

(1) Care must be taken regarding the type of information released to or from the Forum. As a minimum, no classified or Non-Foreign Government (NOFORN) information is to be released to or from the Forum.

(2) Foreign National Employees have limited access to the Forum and only receive Forum documents reviewed and scrubbed by properly trained FAs to remove potential ITAR and EAR material.

(3) Prior to the decision to issue a sensitive (including ITAR or EAR information) DCMA Forum Topic, consult the CIC or ALC.

6.4. THE DCMA GIDEP PROCESS. The GIDEP Desk Guide can be found on the Resource Page.

a. Review GIDEP Notices and take action as necessary, following the steps in the GIDEP Desk Guide.

(1) Review GIDEP Weekly Documents and Part Listings Summaries.

(2) Determine if Weekly Notices contain information pertinent to the CMO or another CMO(s) and take appropriate action.

b. Issue GIDEP Notices.

(1) Report specialty metals noncompliances through a GIDEP Notice. This is an Under Secretary of Defense for Acquisition and Sustainment (USD(A&S)) mandatory requirement. Section 2533b of Title 10, U.S.C. restricts DoD procurement of specialty metals in six categories of major weapons systems. The law is implemented by three DFARS clauses that appear in most DoD contracts for major weapons systems or their components: DFARS 252.225-7008, DFARS 252.225-7009, and DFARS 252.225-7010. Contact the HQ GIDEP Program Manager for assistance on reporting of specialty metals noncompliances.

(2) Information can be found in the GIDEP Desk Guide for DCMA Auto-Generated AAN-Ls in GIDEP from DCMA supported PQDRs.

6.5. The DCMA FORUM PROCESS. The DCMA Forum Desk Guide, found on the Resource Page, contains guidance on the Forum Process.

a. Review Forum Topics, take action as necessary.

b. Generate Forum Topics, as necessary.

6.6. DoD IG NOTICES OF POTENTIALLY DEFECTIVE PRODUCTS/SAFETY ALERTS. The "DoD IG Notice of Potentially Defective Products/Safety Alert" is not the same SA Notice and may be received outside of GIDEP. Review the IG Notice and take action as necessary, following the steps in the "DoD IG Desk Guide" on the Resource Page.

GLOSSARY

G.1. DEFINITIONS. These terms and their definitions are for the purpose of this manual only.

Accept/Acceptance. The act of an authorized representative of the Government by which the Government, for itself or as agent of another, assumes ownership of existing identified supplies tendered or approves specific services rendered as partial or complete performance of the contract. When referring to NCM, acceptance is to agree the supply or service presented to the Government is accurate and complete and that it is in the Government's best interest to accept the NCM.

Acknowledgment. Response from one activity to another informing them of receipt of PQDR, initial disposition instructions, estimated date of completion, and other information, as appropriate (i.e., assigned action offices).

Aftermarket Manufacturer. A manufacturer that meets one or both of the following criteria:

(a) Authorized by the OM to produce and sell replacement materiel, usually due to an OM decision to discontinue production of materiel. Materiel supplied is produced from dies, molds, or other manufacturing equipment that has been:

(1) Transferred from the OM to the aftermarket manufacturer;

(2) Produced by the aftermarket manufacturer using OM tooling and intellectual property, or

(3) Produced by the aftermarket manufacturer through redesign to match the OM specifications without violating the OM intellectual property rights (IPR).

(b) Produces materiel by emulating or reverse-engineering obsolete materiel to satisfy continuing customer needs without violating the OM IPR, patents, or copyrights (SAE AS6174).

Agency Action Notice (AAN). A push-mail FED Notice to all GIDEP Representatives and Users that may only be issued by government agencies and activities. An AAN redistributes problem information issued by a Government Agency to GIDEP participants. AANs may have a restricted distribution (AAN-L – Limited Distribution) or unlimited distribution (AAN-U – Unlimited Distribution). (Source GIDEP User Manual, Chapter 7)

Approve/Approval. To agree that the NCM presented to the Government: (1) has been properly categorized as a minor nonconformance; and (2) to agree with the contractor's proposed disposition. The nonconformance may continue within the contractor's production system to be presented to the Government at product acceptance.

Authorized aftermarket manufacturer. An organization that fabricates a part under a contract with, or with the express written authority of, the original component manufacturer based on the original component manufacturer's designs, formulas, and/or specifications.

Authorized or Franchised Distributor. A distributor with whom the OCM has a contractual agreement to buy, stock, repackage, sell, and distribute its product lines. If a distributor does not provide products in this manner, then for the purpose of this manual, the distributor is considered an independent distributor. A franchised distributor normally offers the product for sale with full manufacturer flow through warranty. Franchising contracts may include clauses that provide for the OCM marketing and technical support, inclusive of but not limited to, failure analysis and corrective action, exclusivity of inventory and competitive limiters. (SAE AS5553)

Authorized Supplier. Aftermarket manufacturer as defined above, and supplier authorized by the current design activity or the OM to produce and/or sell materiel (i.e., franchised distributor). (SAE AS6174)

CAT I DR. A report of any deficiency that may cause death, injury, or severe occupational illness; would result in loss or major damage to a weapon system; critically restricts the combat readiness capabilities of the using organization; or any defect that would result in a production line stoppage.

CAT II DR. A report of a product quality deficiency which does not meet the criteria set forth in CAT I. CAT II normally is used for reporting major and minor defects.

Common Cause Variation. Common cause variation, as used in process control, is inherent in the process and can only be reduced by changes to the system, e.g., upgrading a machine. (see also Special Cause Variation)

Conditional acceptance. Acceptance of supplies or services that do not conform to contract quality requirements, or are otherwise incomplete where the contractor is required to correct or complete by a specified date.

Containment. Action to control and mitigate the impact of a nonconformity and protect the customer's operation (stop the problem from getting worse); includes correction, immediate corrective action, immediate communication, and verification that the nonconforming situation does not further degrade. (AS9100)

Contractor-approved supplier. A supplier that does not have a contractual agreement with the original component manufacturer for a transaction, but has been identified as trustworthy by a contractor or subcontractor.

Contract manufacturer. A company that produces goods under contract for another company under the label or brand name of that company.

Corrective Action. (1) Actions taken to correct reported nonconformances/nonconformities/ discrepancies or other undesirable situations. These actions include repair, replacement, alert notifications, and segregation, screening, and disposition of existing product. (2) Action(s) taken to improve an organization’s processes by identifying and eliminating the root cause(s) of nonconformances/discrepancies or other undesirable situations thus preventing their recurrence. This action could include changes to processes, work instructions, workmanship

practices, training, inspections, tests, procedures, specifications, drawings, tools, equipment, facilities, resources, or material.

Counterfeit Electronic Part. An unlawful or unauthorized reproduction, substitution, or alteration that has been knowingly mismarked, misidentified, or otherwise misrepresented to be an authentic, unmodified electronic part from the OM, or a source with the express written authority of the OM or current design activity, including an authorized aftermarket manufacturer. Unlawful or unauthorized substitution includes used electronic parts represented as new, or the false identification of grade, serial number, lot number, date code, or performance characteristics. (DFARS Part 202)

Counterfeit Part. A fraudulent part that has been confirmed to be a copy, imitation, or substitute that has been represented, identified, or marked as genuine, and/or altered by a source without legal right with intent to mislead, deceive, or defraud. (SAE AS5553)

Counterfeit Materiel. Materiel whose identity has been deliberately altered, misrepresented, or falsified, including but not limited to, any materiel that consists of: (a) a substitute or unauthorized copy of a valid product from an original manufacturer; (b) a product in which the materials used or the performance of the product has been changed without notice by a person other than the original manufacturer of the product (DoDI 4140.67).

a. Counterfeit Materiel. An item that is an unauthorized copy or substitute that has been identified, marked, or altered by a source other than the item's legally authorized source and has been misrepresented to be an authorized item of the legally authorized source.

b. Suspect counterfeit. Materiel, items, or products in which there is an indication by visual inspection, testing, or other information that it may meet the definition of counterfeit materiel provided herein.

CSI. A part, assembly, installation, or production system with one or more essential characteristics that, if not conforming to the design data or quality requirements, would result in an unsafe condition that could cause loss or serious damage to the end item or major components, loss of control, or serious injury to personnel.

a. CSI (Aviation). A part, assembly, installation equipment, launch equipment, recovery equipment, or support equipment for an aircraft or aviation weapons system that contains a characteristic any failure, malfunction, or absence of, which could cause a catastrophic or critical failure resulting in the loss or serious damage to the aircraft or weapons system, an unacceptable risk of personal injury or loss of life, or an uncommanded engine shutdown that jeopardizes safety. Damage is considered serious or substantial when it would be sufficient to cause a "Class A" accident or a mishap of severity CAT I. The determining factor in CSIs is the consequence of failure, not the probability the failure or consequence would occur. For the purpose of this manual, Critical Safety Item, Flight Safety Critical Aircraft Part, Flight Safety Part, Safety of Flight Item, and similar terms are synonymous.

b. CSI (Ship). Any ship part, assembly, or support equipment containing a critical characteristic whose failure, malfunction, or absence of could cause a catastrophic or critical failure resulting in loss of, or serious damage to, the ship, or unacceptable risk of personal injury or loss of life.

DID. A completed document that defines the data required of a contractor. The document specifically defines the data content, format, and intended use. (Defense Standardization Program)

Defect. Any nonconformance of a characteristic with specified requirements. Defect classifications can be found under Nonconforming Material Classifications.

Determination. The decision made by the Government to either approve/accept or disapprove/reject the contractor's RFV submittal.

DMSMS. The loss or impending loss of manufacturers of products, reduction of suppliers of products, or shortages of raw materials. DMSMS is caused by manufacturers of products or suppliers of raw material who discontinue production. Some of the reasons for DMSMS situations are:

- Rapid changes in technology which causes obsolescence (parts discontinued);
- Uneconomical production requirements and increasing emphasis on use of commercial products;
- Foreign source competition;
- Federal environmental and safety regulations; and
- Limited availability of products and raw materials used in the manufacturing process

DMSMS tend to have a pervasive effect that precludes repair of materiel and prevents procurement of additional systems, equipment, spare assemblies, and subassemblies dependant on the availability of products and raw materials no longer manufactured or available. (GIDEP User Manual, Chapter 11)

Disapprove/Disapproval. To (1) not agree with the contractor's severity classification of a nonconformance; and/or (2) not agree with the contractor's proposed disposition. The nonconformance may not continue within the contractors' production system or be presented to the Government for "product acceptance."

Dispositions, DRs. The evaluation decision made by the Configuration Control Authority regarding a Configuration Change Management document submitted by the Contractor. Dispositions include signatory and date requirements. Dispositions are in the form of Concurrence, Non-concurrence, Approval, or Disapproval, depending on the configuration document.

Dispositions, NCM. What needs to happen to the nonconforming product to either make it suitable for use or to dispose of it. These options are use-as-is, rework, repair, scrap or return to vendor.

DMSMS Notice. A push-mail PID Notice to all GIDEP Representatives and Users from a manufacturer, source of supply, or Federal Government agency or activity that a part, component, chemical, software, or material will no longer be produced by the manufacturer or source of supply. (GIDEP User Manual, Chapter 11)

Effectivity. A designation, defining the product range; e.g., serial numbers, block numbers, batch numbers, lot numbers, model, dates or event, at which a specific product configuration applies, a change is to be or has been affected, or to which a variance applies.

Electronic Part. (1) An Integrated Circuit, (2) a discrete electronic component (including, but not limited to, a transistor, capacitor, resistor, or diode) or (3) a circuit assembly (Section 818(f)(2) of Pub. L. 112–81). The term ‘‘electronic part’’ includes any embedded software or firmware. (DFARS Part 202)

Exhibit. The item reported as being deficient or a sample item representing the reported deficient condition which can be analyzed to determine the possible cause of the defect.

FED. Information about problems, potential problems and failure experience data on parts, components, materials, manufacturing processes, specifications, computer software, test equipment and safety. FED is exchanged to improve quality, reliability, and delivery schedules and to reduce costs.

FS. Personnel assigned responsibilities at the CMO or executing oversight at the contractor’s facility and who possess the functional expertise and competency to perform those responsibilities.

GIDEP. A DoD program established to maximize the use of existing knowledge and to promote and facilitate the sharing of technical information between government agencies and industry partners to increase systems safety, reliability, and readiness and to reduce systems development, production, and ownership costs.

GIDEP Alert (A). A report of an actual or potential problem with parts, components, materiels, manufacturing processes, test equipment, or safety conditions that may have multiple applications in Government or industry and be of significance to other GIDEP participants GIDEP ALERTs are not to be used to report random part failures or failures resulting from applications outside of published design requirements.

GIDEP SA. A report of an actual or potential problem with parts, components, materiels, manufacturing processes, test equipment, or safety conditions, which may have multiple applications in Government or industry that affect the safety of people or equipment.

GIDEP AAN. A Notice issued by Government agencies to report problems with products or processes. Unlike ALERTs, SAs, and PAs, AAN only document the occurrence of a problem, they do not include problem solutions or manufacturers' corrective actions. AANs may be designated as “AAN-U” for Unlimited release to all GIDEP participants or “AAN- L” for Limited release (limited to only Government Agencies, or only Defense Agencies).

GIDEP PA. An Advisory issued to report nonconformances, which have a low probability of causing a functional failure. It report problems with products/processes which do not meet specifications and are also used as preliminary ALERTs where there is a suspected problem, which is not completely defined due to lack of data.

GIDEP Source of Supply. A push-mail UDR Notice to all GIDEP Representatives and Users that requests a source of supply for a part replacement/substitution or other electronic assembly (or a substitute). (Source GIDEP User Manual, Chapter 10)

GIDEP UDR. An UDR is seeking information for a specific item such as test reports, failure rate data and reliability information, calibration procedures and technical manuals, and Sources of Supplies to include part replacement, substitution data and source data. (Source GIDEP User Manual, Chapter 10)

GFP. Property in the possession of, or acquired directly by, the Government and subsequently delivered to or otherwise made available to a contractor.

Government-Owned Product. A product owned by, leased to, or acquired by the Government under the terms of a contract.

Integrated Materiel Manager. Any activity or agency assigned integrated wholesale materiel management responsibility for the DoD and participating Federal agencies. Management responsibilities include requirements determination, procurement, distribution, overhaul and repair of repairable materiel, and disposal of materiel.

MRB. A contractor's cross-functional group, normally composed of representatives for quality, engineering and manufacturing/production, that reviews NCM on hold due to usability concerns and determines and/or recommends a disposition to the government for approval.

Non-Authorized/Non-Franchised Distributor. Any broker, broker distributor or independent distributor.

- **Broker.** In the independent distribution market, brokers are professionally referred to as independent distributors. See definitions for "broker distributor" and "independent distributor." (SAE AS6174)

- **Broker distributor.** A type of independent distributor that works in a "just in time" environment. Customers contact the broker distributor with requirements identifying information such as the part number, quantity, target price, and date required and the broker distributor searches the industry and locates parts or other materiel that meet the target price and other customer requirements. (SAE AS6174)

- **Independent distributor.** A distributor that purchases new materiel with the intention to sell and redistribute it back into the market. Purchased materiel may be obtained from original manufacturers or contract manufacturers (typically from excess inventories), or from other independent distributors. Resale of the purchased materiel (re-distribution) may be to original manufacturers, contract manufacturers, or other independent distributors. Independent distributors do not have legally binding relationships with current design activities or original manufacturers. (SAE AS6174)

Nonconformance. The non-fulfillment of a requirement. This includes a failure of a characteristic or feature or process to conform to the requirements specified in the contract, drawings, specifications, or other approved configuration documentation.

NCM. A generic term that includes any (raw) materials, item, part, component, supply, product or output of a process containing one or more nonconformances.

NCM Classifications. The following are the DD Form 1694 definitions:

- **Critical**. Use this classification when it is a departure from requirements affecting one or more of the following: (1) Safety; (2) Human health; (3) Environment; and/or (4) Security (local program or national);

- **Major**. Use this classification when it is a departure from requirements affecting one or more of the following: (1) Performance or operating limits; (2) Interchangeability, reliability, survivability, maintainability or durability of the item or its repair parts; (3) Structural strength; (4) Effective use or operation; (5) Weight, moment, center of gravity; (6) Appearance; (7) Limits on product use or operation; (8) Temporary use of alternate items; and/or (9) When the configuration documentation defining the requirements for the item classifies the departure from the requirement as major; and

- **Minor**. Use this classification when it consists of a departure that does not involve any of the factor listed for critical or major, or when the configuration documentation defining the requirements for the item classifies the departure from the requirement as minor. Departures from the requirements that do not meet the definition of critical or major and are not classified in any configuration documentation (i.e. unlisted characteristics) are treated as minor.

Obsolete Electronic Part. An electronic part no longer in production by the OM or an aftermarket manufacturer that has been provided express written authorization from the current design activity or OM. (DFARS 252.246-7007)

Occurrence. The first time a nonconformance is detected on a specific characteristic of a part or process. All nonconformances attributed to the same root cause and identified before the date, item, unit, lot number, or other commitment for effective CA are also considered occurrences.

Open Market. The trading market that buys or consigns primarily OEM and contract manufacturers' excess inventories of new electronic parts and subsequently utilizes these inventories to fulfill supply needs of other OEMs and contract manufacturers, often due to urgent or obsolete part demands. (SAE AS5553)

OCM. An organization that designs and/or engineers a part and is pursuing or has obtained the IPRs to that part. The part and/or its packaging are typically identified with the OCM trademark. OCM may contract out manufacturing and/or distribution of their product. Different OCMs may supply product for the same application or to a common specification. (SAE AS5553)

OEM. A company that manufactures products it has designed from purchased components and sells those products under the company's brand name. (SAE AS6081)

OM. An organization that designs and/or engineers a part and has obtained the IPR to that part. The part and/or its packaging are typically identified with the OM trademark. OM may contract out the manufacturing, test, and/or distribution of their product.
(SAE AS5553)

Post-production RFV. A submittal prepared by the contractor to request approval of a nonconforming product after the product has been fabricated and before Government acceptance.

Pre-production RFV. A submittal prepared by the contractor to describe a nonconformity of a Configuration Item (CI) before the product is produced or manufactured and is for a limited time and for specified effectivity. Pre-production RFVs request Government permission to produce the CI as nonconforming. Submittals are typically temporary conditions caused by the lack of a material, part, component, or item required. If the item is permanently no longer available, an Engineering Change Proposal (ECP) would be appropriate and should be referenced in the RFV.

Premature Failure. A failure that occurs after the item has been placed in service or operations, but prior to expiration of a contractually prescribed warranty term(s) and conditions(s) or specified period of performance.

PA. A push-mail FED Notice to all GIDEP Representatives/Users that reports a problem with parts, components, materials, manufacturing processes, specifications software, manufacturing processes or test equipment that has an unknown or low probability of causing a functional problem. (Source GIDEP User Manual, Chapter 7)

Procurement Deficiency. Any unsatisfactory materiel condition attributable to improper, incorrect, ambiguous, omitted, or conflicting contractual requirements including the procurement document it references, or any problem condition due to technical requirements of materiel.

Product. Item, materiel, data, software, supplies, system, assembly, subassembly, or portion of it that is produced, purchased, developed, or otherwise used by the Government. Products obtained by architect-engineer construction and facilities support contracts do not apply.

Product Acceptance. The act of an authorized representative of the Government by which the Government, for itself or as agent of another, assumes ownership of existing identified supplies tendered or approves specific services rendered as partial or complete performance of the contract, as defined in FAR 46.101.

PCN. A push-mail PID notice to all GIDEP Representatives/Users that a manufacturer has changed either the form, fit, or function, or the production processes of their product that affect the performance, interchangeability or reliability of a product. The notice must be submitted by the original equipment manufacturer. If the products are controlled by government specifications, the manufacturer has usually received government approval to change the characteristics of that part,

component, or material. In the case of COTS products, the manufacturer may issue a PCN without prior government coordination, unless specifically restricted by contractual instruments. (GIDEP User Manual, Chapter 11)

PID. The PID section of GIDEP provides important data to prime contractors, program managers, design engineers, part configuration managers, purchasing agents, and logisticians when manufacturers discontinue production of, and engineering changes to, products that they produce.

Product Quality Deficiency. A defect or nonconforming condition detected on new or newly reworked Government-owned products; premature equipment failures; and products in use that do not fulfill their expected purpose, operation or service due to deficiencies in design, specification, materiel, manufacturing, and workmanship.

Product Quality Deficiency Severity Classification. The classification of a nonconformance or defect by its severity used for PQDRs. Unless otherwise specified in the contract, these classifications are:

- **Critical:** A nonconformance or defect likely to result in hazardous or unsafe conditions for individuals using, maintaining, or depending upon the supplies or services; or likely to prevent performance of a vital agency mission.
- **Major:** A nonconformance or defect, other than critical, likely to result in failure of the supplies or services, or to materially reduce the usability of the supplies or services for their intended purpose.
- **Minor:** A nonconformance or defect not likely to materially reduce the usability of the supplies or services for their intended purpose, or that is a departure from established standards having little bearing on the effective use or operation of the supplies or services.

QPL, QML, and Qualified Bidders List (QBL). Lists containing the names of successful products, manufacturers, or potential offerors evidencing their status as qualified. Qualification and listing in a QPL, QML, or QBL is the process by which products are obtained from manufacturers or distributors, examined and tested for compliance with specification requirements, or manufacturers or potential offerors, are provided an opportunity to demonstrate their abilities to meet the standards specified for qualification. Generally, qualification is performed in advance and independently of any specific acquisition action. After qualification, the products, manufacturers, or potential offerors are included in a Federal or Military QPL, QML, or QBL. (FAR 9.203 (a) – "Qualifications Requirements")

QSLD. A list of pre-qualified sources for certain electronic components purchased and managed by DLA Land and Maritime as part of the QSLD Program. QSLD products are provided by suppliers that combine accepted commercial practices, quality assurance procedures consistent with industry and international quality standards, and are tailored when necessary to product-unique requirements that can take the place of provisions traditionally stated in DLA Land and Maritime solicitations. (QSLD-5961/5962 A)

QTSL. A list of distributors who have qualified for placement on the QTSL which is maintained by DLA.

Quality Deficiency Data. Information, based on the results of testing or examination, provided by an activity concerning unsatisfactory new, newly reworked material (Government or contractor) , premature equipment failures, and products in use that do not fulfill their expected purpose, operation or service.

Quality Escape. NCM that has entered the DoD supply chain.

Recurrence. The repeat of a previously occurring nonconformance that is attributable to the same cause/process. When determining a recurrence, the process should be analyzed for variation rather than the characteristic.

Reject/Rejection. To not accept the supply or service presented to the Government because it is not accurate and/or complete and it is not in the Government's interest to accept the NCM.

Repair. A procedure applied to a nonconformance by the contractor which reduces but does not completely eliminate a nonconformance. Repair is distinguished from rework in that the characteristic/item after repair does not completely conform to the applicable print, drawings, specifications, or contract TDP requirements but will meet the performance/reliability requirements.

RFV. A contractor's request to depart from, or not conform to, particular requirement(s) of a configuration item's current approved configuration documentation. An RFV is a temporary departure for a specific number of units or a specified period of time, which distinguishes it from an engineering change which is a permanent change. The term RFV also refers to the documents that accompany NCM when presented to the Government for disposition.

RTV/RTS. Disposition denoting a nonconforming purchased item will be returned to vendor or sub-tier supplier for replacement, credit, and/or rework/repair due to a nonconformance caused by the source.

Rework. A procedure applied to a nonconformance that will completely eliminate the nonconformance and result in a characteristic/feature that conforms completely to the print, drawing, specification, or other contract TDP requirements. Rework should not be confused with "reworked materiel" (see definition).

Reworked Materiel. Materiel that has been overhauled, rebuilt, repaired, reworked, or modified by a military or commercial facility. Such materiel is considered newly reworked until it has been proven during actual system operation. Reworked materiel should not be confused with "rework" (see definition).

Risk Rating. A risk rating is based on an assessment of an identified contractor risk through determination of its likelihood (probability), its consequence and its relationship to other risk areas or processes.

Scrap. NCM not suitable for its intended purpose and which cannot be repaired in a manner acceptable to the Government.

Ship CSI. See Critical Safety Item (Ship).

Special Cause Variation. Special cause variation, as used in process control, occurs when something out of the ordinary happens in a process. (see also Common Cause Variation)

SRP. A documented technique for a repair of a nonconformance which has been demonstrated to be an adequate repair when properly applied.

Supplier. A blanket description of all sources of supplies who may or may not have a legally binding relationship with the legally authorized source. This relationship generally includes direct product support, training and marketing support from the legally authorized source and provides direct product support to the customer. (SAE AS6174)

Suspect Counterfeit Electronic Part. An electronic part for which credible evidence (including, but not limited to, visual inspection or testing) provides reasonable doubt that the electronic part is authentic. (DFARS Part 202)

Suspect Counterfeit Part. A part in which there is an indication that it may have been misrepresented by the supplier or manufacturer and may meet the definition of fraudulent part or counterfeit part. (SAE AS5553)

UAI. A disposition of NCM with one or more minor nonconformances determined to be useable for its intended purpose in its existing condition.

Variance. A departure from approved product definition information for a limited amount of time or for a specified effectivity that does not require revision of approved product definition information.

G.2. ACRONYMS.

AAN	Agency Action Notice
AAN-L	Agency Action Notice Limited Distribution
AAN-U	Agency Action Notice Unlimited Distribution
ACAT	Acquisition Category
ACO	Administrative Contracting Officer
ALC	Assigned Legal Counsel
AS	Aerospace Standard
AUR	Annual Utilization Report (in GIDEP)
CA	Contract Administrator
CAGE	Commercial and Government Entity Code
CAP	Corrective Action Plan
CAR	Corrective Action Request
CAT	Category
CCB	Configuration Control Board/Configuration Change Board
CDAS	Counterfeit Detection and Avoidance System
CDR	Contract Deficiency Report
CDRL	Contract Data Requirements Lists (DDF 1423)
CI	Configuration Item
CIC	Contract Integrity Center
CMO	Contract Management Office
CMT	Contract Management Team
COTS	Commercial Off-the-Shelf
CPSR	Contractor Purchasing System Review
CRR	Contract Receipt and Review
CSI	Critical Safety Item
DC&A	Data Collection and Analysis
DCM	Defect Code Management
DCMA-INST	DCMA Instruction
DCMA-MAN	DCMA Manual
DCMAI	DCMA International Command
DLA Form 1227	Product Quality Deficiency Investigation Report
DD Form 1423	Contract Data Requirements List
DD Form 1694	Request for Variance
DD Form 1998	Comments on Waiver, Deviation or Engineering Change Request
DFARS	Defense Federal Acquisition Regulations Supplement
DID	Data Item Description
DLA	Defense Logistics Agency
DMSMS	Diminishing Manufacturing Sources and Material Shortages
DoDAAC	Department of Defense Activity Address Code
DoDI	Department of Defense Instruction
DR	Deficiency Report

DRPM	Deficiency Reporting Program Manager
EAR	Export Administration Regulation
EIA	Electronics Industry Association
ESA	Engineering Support Activity
FA	Forum Administrator (DCMA)
FAR	Federal Acquisition Regulation
FED	Failure Experience Data (GIDEP Notice)
FLS	First Level Supervisor
FOUO	For Official Use Only
FS	Functional Specialist
GFP	Government Furnished Property
GIDEP	Government-Industry Data Exchange Program
HQ	headquarters
ICAT	Integrated Cost Analysis Team
IPR	intellectual property rights
ISO	International Organization for Standardization
ITAR	International Traffic in Arms Regulations
LOD	letter of delegation
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
MRB	Material Review Board
NCM	Nonconforming Material
NDI	Non Developmental Items
NSEO	Navy Special Emphasis Operations
NSEP	Navy Special Emphasis Program
OCM	original component manufacturer
OEM	original equipment manufacturer
OM	original manufacturer
OUC	operational unit command
PA	Problem Advisory (GIDEP FED Notice)
PAOC	postaward orientation conference
PASM	preaward survey manager
PCN	Product Change Notice (GIDEP PID Notice)
PDREP	Product Data Reporting and Evaluation Program
PI	Program Integrator
PID	Product Information Data (GIDEP Notices)

PCO	Procurement Contracting Officer
POC	Point Of Contact
POP	Place of Performance
PQDR	Product Quality Deficiency Report
PST	Program Support Team
PURS	Participation Utilization Reporting System (in GIDEP)
QA	Quality Assurance
QALI	Quality Assurance Letter of Instruction
QBL	Qualified Bidders List
QML	Qualified Manufacturers List
QPL	Qualified Products List
QTSL	Qualified Testing Suppliers List
RCA	Root Cause Analysis
RCN	Report Control Number
RFV	Request for Variance
RTS	Return to Supplier
RTV	Return to Vendor
SA	Safe-Alert (GIDEP FED Notice)
SAE	Society of Automotive Engineers
SDR	Supply Discrepancy Report
SDRPM	Supply Deficiency Reporting Program Manager
SF 364	Supply Discrepancy Report
SF 368	Product Quality Deficiency Report
SOO	Statement of Objectives
SOW	Statement of Work
SRP	Standard Repair Procedure
SRS	Supplier Risk System
TD	Technical Directorate
TDP	Technical Data Package
TDR	Transportation Discrepency Report
UAI	Use As Is
UDR	Urgent Data Request (GIDEP Notice

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