



## DCMA Manual 2302-04

# CONDUCTING CONTRACTING SMALL BUSINESS SUBCONTRACTING PROGRAM COMPLIANCE REVIEWS

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**Office of Primary  
Responsibility**

**Contractor Effectiveness Capability**

**Effective:**

February 14, 2019

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Cleared for public release

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DCMA-INST 2302, "Small Business"

**Incorporates and Cancels:**

DCMA-INST 119, "Small Business Process," February 10, 2014

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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/2302-04r.aspx>

**Approved by:**

David H. Lewis, VADM, USN, Director

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**Purpose:** This issuance, in accordance with the authority in DoD Directive 5105.64 and DoD Instruction 4205.01:

- Implements policy established in DCMA Instruction 2302, "Small Business Process"
- Establishes processes and assigns responsibilities for DCMA compliance reviews of contractor small business subcontracting program

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## SECTION 1: GENERAL ISSUANCE INFORMATION

**1.1. APPLICABILITY.** This issuance applies to all DCMA Directorates and Centers that have the potential for SB contract awards or subcontracts and that perform SB management or oversight.

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

a. Provide periodic SB subcontracting oversight and compliance for DoD prime contractors over which DCMA has been delegated contract administration authority in accordance with Federal Acquisition Regulation (FAR) 42.302 (a)(55).

b. Support joint efforts with the Small Business Administration (SBA) in accordance with the SBA Memorandum of Understanding (MOU) between DCMA and SBA, dated July 26, 2016.

c. Maintain the integrity of SB review documents and files in accordance with DoD Instruction (DoDI) 5015.02, "Records Management Program."

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

## **SECTION 2: RESPONSIBILITIES**

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

- a. Implement Small Business Program (SBP) policy as set forth in DoDI 4205.01, “DoD Small Business Programs (SBP).”
- b. Disseminate the Agency’s goals as established by DoD Office of Small Business Programs (OSBP).
- c. Appoint a full time SB Director responsible for Agency SB policy, programs, and procedures.

### **2.2. HEAD OF THE CONTRACTING ACTIVITY (HCA).** The HCA will:

- a. Monitor Agency SB achievements including socio-economic categories to ensure Agency SB goals are achieved.
- b. Provide guidance and direction to the Small Business Compliance Center (SBCC), as necessary in executing SB policy.

### **2.3. SB DIRECTOR.** The SB Director will:

- a. Represent the Agency Director on all SB matters.
- b. Serve as the Agency SB Ombudsman.
- c. Provide support to Agency initiatives such as the Service Acquisition Review Board, Corporate Assessment Initiative.
- d. Advise and assist the Contracts Directorate, Program Managers, and requirements personnel on all matters that affect SB throughout the acquisition life-cycle process.
- e. Administer the MOU between DCMA and DoD OSBP.
- f. Establish Agency policies, guidance and procedures for the SBP and for the selection and appointment of SB Professionals as appropriate.
- g. Plan and manage the Agency’s SBPs.
- h. Advise cognizant DoD Components of any significant event or situation that may affect accomplishments, either positively or negatively, of contract SB subcontracting goals.
- i. Annually assess the SBPs and provide a report of the results to the Agency Director and HCA.

j. Routinely brief the DCMA Director, HCA, and Senior Leaders on the Agency SBP status, to include the SBCC, who implements DoD SBPs, such as the DoD Mentor Protégé Pilot Program and the Comprehensive Subcontracting Plan (CSP), and Contractor Subcontracting Program Compliance Reviews for the Military Components on behalf of the Administrative Contracting Officer.

k. Provide advice to the HCA on all SB matters as required.

**2.4. EAST AND WEST GROUP SB COMPLIANCE CENTER ASSISTANT DIRECTORS (AD).** The AD will:

a. Manage SB Professionals performance initiatives within the SBCC.

b. Maintain SB data and metrics.

c. Maintain internal and external working relationship with customers.

d. Maintain working relationship with the DoD OSBP as a representative to special meetings and subcontracting working groups.

e. Establish and maintain annual compliance review workload and schedule in coordination with Regional Support from Divisional Administrative Contracting Officers (DACOs), SBA, and DoD OSBP.

**2.5. SB PROFESSIONALS.** The SB Professional will:

a. Conduct subcontracting plan reviews for DoD Components with administration authority assigned to DCMA.

b. Conduct contractor subcontracting program compliance reviews on contracts assigned to DCMA for administration.

c. Provide compliance review of SB subcontracting when necessary to Agency Administrative Grants Officers on the administration of Procurement Technical Assistance Centers (PTACs) Agreements and Regional, Contract Management Offices (CMO), and Divisions on Contractor Purchasing Systems Reviews (CPSRs).

**2.6. SMALL BUSINESS PERFORMANCE ANALYST (SBPA).** The SBPA will:

a. Update and maintain the SBCC assignment log.

b. Track SBCC performance.

c. Provide quarterly internal performance reports to the Director and AD.

- d. Assist SB Professional in conducting oversight reviews for the purpose of accuracy and standardization.
- e. Review and evaluate data on SB compliance reviews.
- f. Provide graphic and spreadsheet reports to the DCMA SB Director.

## **SECTION 3: PROCESS**

### **3.1. INTRODUCTION.**

a. The SB Professional is responsible for evaluating, reviewing, and documenting contract performance to determine compliance with FAR 19.7, Defense Federal Acquisition Regulation Supplement (DFARS) 219.706(a)(ii), and FAR 42.302(a)(55). The SB Professional will achieve this by performing reviews of prime contractors' subcontracting compliance and assigning an overall performance rating.

b. The SB subcontracting oversight and contractor compliance reviews must be conducted using the DCMA SB Subcontracting Program Compliance Review Form that lists all the review factors required by clause FAR 52.219-9, Small Business Subcontracting Plan, as prescribed in FAR 19.704. Refer to DCMA Small Business Subcontracting Program Compliance Review Form (Appendix A). The SB Professional will assure that prime contractors comply with their SB subcontracting plans, and have not changed the plans in a way that deviates from the requirements set out in the FAR provision and clauses cited.

c. The SB Professional assists the contracting officer by performing subcontracting plan reviews for elements required in FAR clause 52.219-9, Small Business Subcontracting Plan (References FAR 52.219-9, Small Business Subcontracting Plan, Evaluation factors and significant sub-factors, FAR Subpart 19.702, Statutory requirements, and DFARS PGI 219.201, General policy) and as further described under:

(1) Responsibilities of the cognizant Administrative Contracting Officer (ACO): This is the policy and process that enforces the pre and post award role of the contracting officers and the contractors.

(a) In accordance with 48 CFR 19.707, the SBA's role of carrying out the Subcontracting program and FAR 19.707, the SBA's Role in Carrying Out the Program. 48 CFR 52.219-9 Small business subcontracting plan: This is the contract clause that enforces the policy and processes of the subcontracting plans amongst other regulations such as flow down.

(b) FAR 52.219-9, Small Business Subcontracting Plan (DEVIATION 2018-00018).

(c) FAR 52.219-16, Liquidated Damages-Subcontracting Plan.

### **3.2. PLANNING REVIEWS.**

a. Methodology for subcontracting plan reviews. At each calendar midyear, no later than July 15<sup>th</sup>, the ADs of the East and West Group within the SBCC, the DCMA Director, and selected SB Integrated Management Team will meet to validate and assess workload assignments for the upcoming calendar year. The purpose is to ensure the agency SB support mission is achieved and to validate workload assignments for each SB Professional within the SBCC.

b. SB Professionals must conduct reviews in accordance with the criteria and goals established each Fiscal Year (FY) by the DCMA Director, ADs, and Small Business Integrated Management Planning Team. Compliance reviews are conducted by SB Professionals scheduled for the upcoming calendar year in accordance with the following prioritized criteria:

(1) Enter into the Electronic Subcontracting System (eSRS) prior (FY) Contracts meeting the following criteria, including, where applicable, the prompted information as follows:

- (a) Administered by DCMA.
- (b) Over \$50M.
- (c) Exclusion of CSP Participants.
- (d) By Contractor name.
- (e) Corporate Profile ( e.g., Sector, Divisional).

1. Determine if Company is submitting Summary Subcontracting Reports (SSRs) at a Corporate level roll up.

2. Determine if Company is submitting SSRs by Sector or Division.

- (f) Data Universal Numbering System (DUNS) numbers (consolidated).

(2) SB Professional conducts as a full review or streamlined review, rotating each type annually.

(3) SB Professional should schedule any reviews based upon a contractor's September reports and therefore not completed until late in the current FY to occur during the last quarter of the upcoming FY.

(4) SB Professional performed the last review at a sector, division, or smaller level of the organization, the corporate level compliance review will be more complete. The SB Professional may schedule the corporate review at any time.

### **3.3. SCHEDULING REVIEWS.**

a. Once the SB Professional has completed planning phase and the AD's of the East and West Group within the SBCC established the list of contractors requiring review, the Director of SB and selected SB Professionals, must perform the following steps:

(1) The SBPA will send a mass notification to all contractors scheduled to be reviewed in the upcoming FY.



(2) The ADs must further divide the review list of contractors for the upcoming FY equally between the East and West SB Professional.

(3) The AD's will complete assignments to the SB Professional's no later than October 15<sup>th</sup> of each year.

(4) The SB Professional must begin the pre-compliance review phase with the contractor as follow:

- (a) Establish compliance review date and location.
- (b) Establish compliance review business profile and rules.
- (c) Define and explain type of compliance review (full or streamlined).

(5) The SB Professional must confirm planned subcontracting compliance reviews with the contractor at a minimum of 30 calendar days in advance by sending the contractor a Subcontracting Compliance Review Notification Memorandum that includes the list of supporting documentation required to conduct the compliance review.

(6) The SB Professional must include a copy of the notification letter in the final subcontracting compliance review report as an attachment to the AD for review and approval.

b. The SB Professional must schedule small business subcontracting plan reviews quarterly during the FY as follow:

**Table 1. Quarterly SB Subcontracting Plan Review Schedule**

Calendar Quarter(s)	Date when DCMA and the contractor agree to a review date
Quarter 1	12/05/XX
Quarter 2	02/15/XX
Quarter 3	05/15/XX
Quarter 4	08/15/XX

c. The contractor notification memorandum must request specific information to be mailed or electronically forwarded prior to the actual review. The memorandum must indicate that the contractor is to submit this information to the SB Professional within 14 calendar days prior to the scheduled review.

d. Upon receipt of the requested contractors' information, the SB Professional must generate a random sample to select the population of subcontracts for review. SB Professionals have discretion to use a methodology of other than random sampling. However, the SB Professional must provide the methodology rationale for the sample selection as follows:

(1) If reviewing a contractor's corporate levels that all the subcontracting is reported or rolled up into one SSR, then reasonable sampling would be no less than 50 percent. Under circumstances where each division (includes Commercial Activity/Government Entity (CAGE)

and Data Universal Numbering System (DUNS)) submits final SSR to Corporate for eSRS filing, random sampling must be on the majority of Division(s).

(2) The sample should be allocated proportionally across the following categories:

- (a) SB.
- (b) Small Disadvantaged Business (SDB).
- (c) Women-Owned Small Business.
- (d) Veteran-Owned Small Business.
- (e) Service Disabled Veteran-Owned Small Business (SDVOSB).
- (f) Historically Underutilized Business Zone (HUBZone).

e. The methodology for selection of contracts must be reviewed and documented in compliance review report.

f. Document any additional information regarding conducting the subcontracting compliance review in the Compliance Review Exhibits Excel spreadsheet. For example, Small Business Professional should use the spreadsheet to document the number of contracts, contracts list, and all other information associated with conducting the compliance review. This spreadsheet is located on the Resource Page at Appendix B, DCMA Subcontracting Compliance Review Exhibits Spreadsheet.

g. If the contractor requests that the compliance reviews be rescheduled, the SB Professional must notify the AD and request an update to the assignment log.

h. If the SB Professional must reschedule compliance review, the SB Professional must get approval from the AD and update the assignment log.

i. The SB Professional must discuss the necessity of any changes throughout the year to the compliance review schedule and obtain approval from the AD to reschedule the compliance review.

k. The SBPA will maintain the SB Professional compliance review assignment and schedule log. Each SB Professional is required to submit to the SBPA their individual performance logs by the fifth of each month for the SBPA to update monthly data within DCMA site page.

l. The SB Professional must determine whether to schedule compliance reviews virtually or onsite. All onsite compliance reviews are subject to the availability of mission travel funds. Non-availability of funds must not prevent DCMA from accomplishing its mission. The SB Professional must properly plan and collaborate with the contractor to meet mission

requirements. Factors to consider concerning when to conduct an onsite or virtual subcontracting compliance review are:

(1) Onsite compliance review shall be conducted at the contractor's facility when one or a combination of criteria listed items below:

(a) A new contractor doing business with the government (newly administered DCMA contractor).

(b) An onsite review has not been done in over three years.

(c) There is a newly assigned Small Business Liaison Officer (SBLO) or designated SB Representative or small business manager at contractor's site after.

(d) At the discretion of the supervisor.

(e) Special request from DoD Components.

(f) Follow-up reviews with SBA, where appropriate.

(2) Virtual reviews are conducted via email, telephonically or via video teleconference when the criteria for onsite reviews cannot be accomplished.

### **3.4. FORMAT FOR CONDUCTING COMPLIANCE REVIEWS.**

a. All compliance reviews must begin with an entrance conference. The following personnel must attend the entrance conference: DCMASB Professional, the SBLO or designated SB representative, the contractor's senior management or a designee, the CMO Commander when the contractor's facility is collocated with the CMO, and the appropriate ACO. Entrance meetings may be held virtually or on-site. The content of the entrance conference must include at a minimum:

(1) An introductory brief on the purpose of the review.

(2) Compliance reviews procedures.

(3) Review period covered.

(4) Timeline for completing review

b. The compliance review period covers, at a minimum, the government FY or the contractor's previous FY. The compliance review period does not necessarily have to begin with the end of the previous compliance review period and is at the discretion of the SB Professional.

c. The SB Professional must conduct the compliance review consistent with paragraph 3.2. above utilizing Exhibit A and Exhibit B, which are located on the Resource Page. Also the SB Professional must review the following information in conducting the compliance review:

(1) Revise to use previously established abbreviations. Individual Subcontracting Reports (ISR) and SSR in the eSRS were submitted during the review time period for the DoD government prime contracts with subcontracting plans that are being administered by DCMA.

(2) Random compliance review will help to determine whether the contractor has a valid subcontracting plan in all applicable contracts administered by DCMA.

(3) Utilizing the elements of the Individual Subcontracting Plan Checklist at DFARS PGI 219.705-4, “Reviewing the Subcontracting Plan,” DFARS PGI 219.705-6 “Post award Responsibilities of the Contracting Officer.” (Use the provided link to access.)

(4) DoD Subcontracting Program-Business Rules and Processes for (1) eSRS and (2) Preparing and Reviewing Related Subcontract Reports, the SB Professional will:

(a) Determine if the contractor is meeting the basic elements of the subcontracting plans sampled.

(b) Determine if the contractor’s subcontracting practices effectively enable SB to receive fair and equitable subcontracting consideration.

(c) Determine if subcontracting practices promote the best efforts to achieve subcontracting goals and comply with all applicable procurement policies and regulations.

**3.5. CONCLUSION OF REVIEW.**

a. The SB Professional must provide preliminary findings of the compliance review to the contractor and an estimated date for providing the final compliance review rating report. After completion of the compliance review, to the compliance review rating report. The SB Professional must upload the report into DCMA site page and consistent with the following calendar day time frames (Table 2):

**Table 2. Calendar Day Time Frames**

<b>Defined Action Documentation Outputs</b>	<b>Timeframe</b>
Small business subcontracting plan compliance review	1 to 3 Days
Draft compliance plan report completed and forwarded to supervisor	7 Days
Supervisor review and approval of report	10 days
Small Business Professional Edits before Distribution	3 Days
Total timeframe for final report on Small business subcontracting compliance review	21 to 23 Days

b. Notification of the SB Subcontracting Program Compliance Review must be on DCMA letterhead using the standard notification of review templates as follows:

(1) Appendix D – Template for Exceptional, Very Good or Satisfactory located on Resource Page.

(2) Appendix E - Template for Marginal and Unsatisfactory located on Resource Page.

(a) When the SB Professional rates the contractor's subcontracting compliance marginal or unacceptable, the SB Professional must require the contractor to submit a SB correction action plan to the SBA Area Directory with a copy to the SB Professional.

(b) In accordance with the DCMA/SBA MOU, and at a minimum, follow up reviews of Unsatisfactory and Marginal performance ratings will be jointly conducted by SBA and DCMA SB Professional.

c. The SB Professional must upload all compliance reviews conducted and completed into DCMA site page. All files that are associated with review documentation must be retained in accordance with DoD 5015.02.

## GLOSSARY

### G.1. ACRONYMS.

ACO	Administrative Contracting Officer
AD	Assistant Director
CMO	Contract Management Office
CSP	Comprehensive Subcontracting Plan
DFARS	Defense Federal Acquisition Regulation Supplement
eSRS	Electronic Subcontracting Reporting Systems
FAR	Federal Acquisition Regulation
FY	Fiscal Year
HCA	Headquarters of the Contracting Agency
MOU	Memorandum of Understanding
OSBP	Office of Small Business Program
PTAC	Procurement Technical Assistance Center
SB	Small Business
SBA	Small Business Administration
SBCC	Small Business Compliance Center
SBPA	Small Business Performance Analyst
SBLO	Small Business Liaison Officer or designated Small Business Representative
SSR	Summary Subcontracting Report

## REFERENCES

Code of Federal Regulation, Title 48  
DFARS Subpart 219.7, “The Small Business Subcontracting Program,” April 13, 2018  
DoD Directive 5105.64, “Defense Contract Management Agency (DCMA),” January 10, 2013  
DoD Instruction 4205.01, “DoD Small Business Programs (SBPs),” June 8, 2016  
DoD Instruction 5015.02, “DoD records Management Program,” February 24, 2015  
FAR 19.7, “The Small Business Subcontracting Program”  
FAR 42.302(a)(55), “Contract administration functions”  
FAR 52.219-9, “Small Business Subcontracting Plan”  
FAR Subpart 219.7, “The Small Business Subcontracting Program”  
Memorandum of Understanding between DCMA and the Small Business Administration, July 26, 2016  
Memorandum of Understanding between DCMA and DoD of Small Business Programs, February 21, 2018