



## DCMA Instruction 2301

### Evaluating Contractor Effectiveness

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<b>Office of Primary Responsibility</b>	<b>Contractor Effectiveness Capability</b>
<b>Effective:</b>	November 9, 2023
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<b>Resource Page Link:</b>	<a href="https://dod365.sharepoint-mil.us/sites/DCMA-BCF-Contractor_Effectiveness/SitePages/2301r-Contractor-Effectiveness.aspx">https://dod365.sharepoint-mil.us/sites/DCMA-BCF-Contractor_Effectiveness/SitePages/2301r-Contractor-Effectiveness.aspx</a>
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**Purpose:** This issuance, in accordance with the authority in DoD Directive 5105.64, "Defense Contract Management Agency (DCMA)":

- Reissues and updates policy, assigns responsibility, and prescribes general principles associated with assessing the effectiveness of the contractor's management, operations, or performance
- Focuses on fulfilling DCMA's responsibilities pursuant to Federal Acquisition Regulation Subpart 42.3, "Contract Administration Office Functions," and Defense

Federal Acquisition Regulation Supplement Subpart 242.3, “Contract Administration Office Functions”

- Authorizes DCMA Manual 2301 series issuances and other Contractor Effectiveness issuances for implementing the requirements under this issuance

## **SUMMARY OF CHANGES**

This Instruction has been rewritten; therefore, users and stakeholders should read this issuance in its entirety. The most notable changes include:

- Revised language to include surveillance activities within this instruction
- Updated Major Contractor Effectiveness activities
- Updated definitions

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## SECTION 1: GENERAL ISSUANCE INFORMATION

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

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

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

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

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

d. Perform surveillance functions in compliance with the Federal Acquisition Regulation, Defense Federal Acquisition Regulation Supplement, and other applicable regulations, supplements, and directives in accordance with DCMA Instructions.

e. Apply these governing principles:

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

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

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

## SECTION 2: RESPONSIBILITIES

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

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

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

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

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

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

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

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

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

The CMO Commanders/Directors will:

- a. Execute and oversee their organization's Contractor Effectiveness processes as published in the DCMA-MAN 2301 series of issuances.
- b. Establish and maintain a systematic, cost-effective program for the assessment of contractor management, operations, and performance. As necessary, ensure monitoring and documentation of cost, schedule, and technical performance.
- c. Evaluate their organization's Contractor Effectiveness activities for compliance, performance, and effectiveness.

## SECTION 3: GENERAL PRINCIPLES

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

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

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

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

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

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

(1) Timely actionable acquisition insight.

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

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

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

(1) Assessing Contractor Accounting System.

(2) Assessing Cost Estimating System.

(3) Assessing Earned Value Management System.

(4) Assessing Material Management and Accounting System.

(5) Assessing Property Management System.



- (6) Assessing Purchasing System.
- b. Performing Contractor Management System Evaluations.
  - (1) Assessing Quality Management System.
  - (2) Assessing multi-functional sub-systems that support an overall Quality Management System (not all inclusive):
    - (a) Configuration Management System.
    - (b) Counterfeit Detection and Avoidance System.
    - (c) Data Management System.
    - (d) Inspection System.
    - (e) Manufacturing Management System.
    - (f) Requirements Management System.
    - (g) Risk Management System.
    - (h) Software Management System.
    - (i) Systems Engineering Management System.
    - (j) Test & Evaluation Management System.
- c. Conducting activities related to Navy Special Emphasis Program (DCMA-MAN 2301-05, “Navy Special Emphasis Program”).
- d. Discrepancy Processing (DCMA-MAN 2301-06, “Discrepancy Processing”).
  - (1) Ensuring contractors control nonconforming material.
  - (2) Executing Deficiency Report Program.
  - (3) Performing counterfeit mitigation.
  - (4) Executing Government Industry Data Exchange Program.
- e. Assessing Contract Safety (DCMA-MAN 2301-07, “Contract Safety”).
- f. Assessing Aircraft Operations (DCMA-MAN 8210-2, “Aircraft Operations”).

g. Assessing Small Business Programs (DCMA-MAN 2302-01, “Small Business Programs Administration”).

h. Assessing Critical Safety Items.

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

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

## GLOSSARY

### G.1. DEFINITIONS.

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

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

**Command Media.** Contractor policies, procedures, manuals, and instructions that are developed and implemented to control the organization and includes tangible documents as well as electronic media.

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

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

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

**CMT.** An application that provides functionality to permit routing procurement instruments and documents to personnel with functional roles. Routing levels are: (1) exact contract number, (2) partial contract number plus Commercial and Government Entity (CAGE), (3) partial contract number, (4) Administrative Contracting Officer code plus CAGE, (5) CAGE, (6) Administrative Contracting Officer code, and (7) CMO DoD Activity Address Code (DoDAAC). This view-only version of CMT is to view personnel with functional roles as assigned in the Mechanization of Contract Administration Services (MOCAS) to verify proper mapping to users, and to request changes to the CMT listing. The CMT Administrator and First Level Supervisor (FLS) use the system for routing purposes.

**Contractor Effectiveness.** A primary business capability that aims to ensure contractors meet and achieve contract cost, schedule, and performance through proper implementation of effective DCMA policies, tools, and training. The Contractor Effectiveness Capability provides insights to empower DoD decision makers with a true picture of contractor health and performance, while also providing consistent and actionable information in real time using contractor data. The resultant outcomes are targeted to establish pathways to influence contractor's internal controls, reducing the frequency and intensity of DCMA oversight, and reducing operating costs for both the contractor and government.

**Data.** Is the plural for datum and are the collection of facts, recorded observations, or requirements from a variety of sources such as the contract, the contractor, industry, or the government. Types of data used in surveillance include, but is not limited to, policies/procedures, artifacts, records, spreadsheets, and observations.

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

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

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

**Operational Unit.** The Operational Units mission and functions are defined in DCMA-MAN 4501-03, "Organization Structure, Mission and Functions."

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

**Surveillance.** A multifunctional effort using data collection and analysis that provides a holistic insight of the contractor's compliance with the contract(s). Surveillance consists of activities to review, analyze and report on contractor plans, financials, schedules, policies/procedures, systems, processes, process outputs, product, or services. Surveillance includes reviews for adequacy (when applicable) and to determine compliance to contractual, statutory, regulatory, or contractor requirements. Surveillance involves collecting data and assessing it to support a determination or conclusion (e.g., acceptance, disapproval, recommendation). Surveillance activities apply primarily to post-award but may apply to some pre-award activities.

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

## GLOSSARY

### G.2. ACRONYMS.

CAGE	Commercial and Government Entity
CMO	Contract Management Office
CMT	Contract Management Team
DCMA-INST	DCMA Instruction
DCMA-MAN	DCMA Manual
FIAR	Financial Improvement and Audit Remediation

## REFERENCES

- DCMA Manual 2301-01, "Contractor Business Systems," April 28, 2019
- DCMA Manual 2301-05, "Navy Special Emphasis Program," June 26, 2023, as amended
- DCMA Manual 2301-06, "Discrepancy Processing," December 20, 2021
- DCMA Manual 2301-07, "Contract Safety," August 4, 2022
- DCMA Manual 2302-01, "Small Business Programs Administration," December 20, 2021
- DCMA Manual 4501-03, "Organization Structure, Mission and Functions," April 3, 2019
- DCMA Manual 8210-2, "Aircraft Operations," July 6, 2022
- Defense Federal Acquisition Regulation Supplement Subpart 242.3, "Contract Administration Office Functions," July 20, 2023
- DoD Directive 5105.64, "Defense Contract Management Agency (DCMA)," January 10, 2013, as amended
- DoD Directive 7045.20, "Capability Portfolio Management," September 25, 2008, as amended
- DoD Instruction 5015.02, "DoD Records Management Program," February 24, 2015, as amended
- Federal Acquisition Regulation Subpart 42.3, "Contract Administration Office Functions," June 2, 2023