



DCMA Manual 2303-05

Addressing Contractor Noncompliances and Corrective Action Requests

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Purpose: This manual, in accordance with the authority in DoD Directive 5105.64 and DCMA Instruction 2303, "Surveillance":

- Assigns responsibilities and describes the conditions of when to request corrective action and how to select the appropriate level.
- Provides procedures for all DCMA functional elements to address and resolve contract noncompliances or item nonconformances or deficiencies, hereafter referred to as noncompliances.

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SECTION 1: GENERAL ISSUANCE INFORMATION

1.1. APPLICABILITY.

This manual applies to all DCMA activities unless higher-level regulations, policy, guidance, or agreements take precedence. Special Programs Directorate must comply to the maximum extent practicable for all Special Access Program and Sensitive Compartmented Information contracts. Exceptions to this manual for classified contracts must be in accordance with supplemental instructions maintained by the Special Programs Directorate.

1.2. POLICY.

a. It is DCMA policy to identify and address contractor performance deficiencies through surveillance and issue corrective action requests (CAR) when noncompliances are identified.

b. Execute this issuance in a safe, efficient, effective, and ethical manner within DCMA workplaces.

SECTION 2: RESPONSIBILITIES

2.1. COMPONENT HEADS AND CAPABILITY MANAGERS.

Component heads and capability managers must ensure that publications, training, guidance and tools for other processes align with the requirements in this manual.

2.2. COMMANDER AND DIRECTOR, OPERATIONAL COMMANDS.

The operational command director or commander must elevate their contract management office (CMO) or center's challenges to the agency senior leadership team and work with the applicable headquarters organization to improve the specific processes and training.

2.3. COMMANDER AND DIRECTOR, CMOS AND CENTERS.

The commander or director of the CMO or center must:

- a. Be fully engaged in all aspects of the corrective action process, from identification of noncompliances to issuance of CARs and continuous oversight and validation of contractor corrective and preventive actions.
- b. Perform documented discussions with the contractor team leadership concerning the noncompliance, including recommended contractual remedies that may be invoked for Level III and IV CARs.
- c. Ensure remedies exist to address a noncompliance for level III and IV CARs.
- d. Facilitate assistance and mentoring of the workforce with the implementation of this manual.

2.4. FUNCTIONAL GROUP LEADERS.

Functional group leaders must:

- a. Align CMO, center, and command surveillance related publications, training, guidance, and tools with this manual.
- b. Coordinate surveillance results with individuals supporting contractor business systems (CBS) in accordance with DCMA Manual (DCMA-MAN) 2301-01, "Contractor Business Systems."

2.5. FIRST LEVEL SUPERVISOR (FLS).

The FLS must:

- a. Review corrective actions generated by CMO, center, or command functional specialists (FS) for accuracy and completeness to ensure workforce executes manual requirements as appropriate.
- b. Implement local procedures, including management internal controls.
- c. Review and provide comments on draft CARs as appropriate.
- d. Delegate limited non-supervisory responsibilities contained in this section to leads or team leaders as needed.

2.6. ADMINISTRATIVE CONTRACTING OFFICERS (ACO).

The ACO must:

- a. Create, finalize, issue, and manage a Level I or II CAR, when appropriate, in accordance with Section 3.1.
- b. Finalize and issue Level III and IV CARs.
- c. Cancel draft Level III or IV CARs or downgrade Level III or IV CARs, when appropriate.
- d. Apply contractual remedies (e.g., suspend progress payments, increase withholds), when appropriate.
- e. Keep internal and external customers informed.

2.7. FS.

The FS must:

- a. Create, finalize, issue, and manage the Level I and II CAR when a noncompliance is identified.
- b. Create and work with the ACO and appropriate personnel to finalize Level III or IV CARs.
- c. Keep internal and external customers informed.
- d. Adjust surveillance plans including risk assessments and schedules using the results of the CAR process.

SECTION 3: IDENTIFYING AND ADDRESSING CONTRACTUAL NONCOMPLIANCES

3.1. IDENTIFY AND ADDRESS CONTRACTUAL NONCOMPLIANCES.

a. The FS or ACO must document a contractual noncompliance by creating a CAR in the agency system of record (SoR) when an item, process, or system is found deficient to the contractor's contractual obligation. Contractual noncompliances are normally identified during surveillance activity but may also be discovered when reviewing contractor's data submissions or performing data analysis. The FS or ACO must ensure open oral and written communication, to include the contractor, occurs for clear understanding of identified contractual noncompliances and their effects. The process may require communication outside of the chain of command to other functional areas, CMOs, operational commands, customers, and contractors.

b. CMOs, centers, and commands identifying noncompliances will utilize the structured corrective action process outlined herein to ensure the contractor corrects the noncompliance(s).

c. The FS or ACO must report suspected fraud or counterfeit items indicators to the applicable regional Contract Integrity Center (CIC) counsel in accordance with DCMA-MAN 2301-06, "Discrepancy Processing," and coordinate any CARs associated with such suspicions with the applicable CIC counsel prior to issuance.

d. Systemic noncompliances may be indicative of a breakdown in the contractor's applicable business or management systems or operations, and the FS or ACO must report these to the award management team (AMT). Additional guidance related to the DCMA implementation of Subpart 242.70 of the Defense Federal Acquisition Regulation Supplement (DFARS) can be found on the DCMA-MAN 2301-01 resource page. Examples include, but are not limited to, (* indicates CBS):

- Accounting System*
- Aircraft Operations
- Contract Safety
- Control of Nonconforming Material Process
- Cybersecurity System
- Earned Value Management System (EVMS)*
- Estimating System*
- Material Management and Accounting System*
- Property Management System*
- Purchasing System*
- Quality Management System (QMS)

e. Alternate methods for addressing noncompliances such as Letters of Concern must not be used in lieu of issuing a CAR to a contractor. These alternate methods may be used in conjunction with a CAR to support correcting noncompliances in a positive manner.

f. The originator must distribute all Level II and higher CARs to the ACO that oversees any related business system for the impacted Commercial and Government Entity (CAGE) code. Upon receipt, the ACO should review the CAR to determine if the noncompliance(s) identified impacts a CBS.

g. The FS will follow the Online Aerospace Supplier Information System (OASIS) Guidebook, located on the resource page of this manual, for contracts requiring compliance with Part 52.246-11 of the Federal Acquisition Regulation (FAR) and when the contractor is third-party certified to AS9100 within OASIS. If the supplier refuses to utilize OASIS, the FS may follow the QMS Reduction of Contracting Financing Payments Job Aid, located on the resource page of this manual, when the contractor fails to comply with a requirement related to QMS performance.

h. The FS or ACO must coordinate cross functionally prior to issuance of a CAR for a contractual requirement outside of the issuing functional area. The FS or ACO must upload documentation of all applicable concurrences into the Agency SoR.

i. When a host nation or foreign entity is performing surveillance activities for DCMA, the host nation issues CARs for noncompliances discovered directly to the outside the continental United States place of performance (PoP) contractor. The applicable DCMA CMO must document the host nation CARs in the Agency SoR with the information provided by the host nation. The required minimum elements are listed in Paragraph 4.1.e.(4).

3.2. CUSTOMER IDENTIFIED NONCOMPLIANCE.

a. When a customer requests DCMA to write a CAR, the FS or ACO must verify the noncompliance prior to initiation of the CAR in the Agency SoR except when:

(1) The issue is being addressed as a Deficiency Report in accordance with DCMA-MAN 2301-06; or

(2) The customer initiates a CAR directly to the contractor. The cognizant DCMA AMT, or other assigned FS, can monitor the customer-initiated corrective action process to gain additional insight for surveillance planning.

b. When the contractor's response to the customer-initiated Deficiency Report or CAR is inadequate or ineffective, DCMA FS will discuss the contractor's corrective action plan (CAP) with the customer to decide whether DCMA will issue a CAR at the appropriate level, or the customer will take additional actions.

3.3. CONTRACTOR IDENTIFIED NONCOMPLIANCE.

a. When the contractor shares identified and documented noncompliances with DCMA due to contractual or system requirements, the FS or ACO will determine the validity of the noncompliance and adequacy of corrective action. Contractor identified noncompliances may be entered in the Agency SoR at the FS or ACO discretion. After review, the DCMA FS or ACO will issue a CAR if:

- The contractor identifies a valid noncompliance but fails to adequately identify a root cause or properly document the noncompliance.
- The contractor's corrective action process is determined to be ineffective or insufficient.
- The FS or ACO determines there exists a systemic noncompliance or major issue that may indicate an overall weakness to the contractor's process or system that may lead to a Level III or higher CAR.

b. When DCMA surveillance is accomplished concurrently with a contractor event, the FS or ACO will issue a CAR only after a contractor fails to identify and properly document the noncompliance.

c. When a surveillance event is initiated and led by DCMA and the contractor participates (e.g., EVMS or property joint surveillance), DCMA will issue a CAR for the identified noncompliance.

3.4. DCMA IDENTIFIED NONCOMPLIANCE.

The FS or ACO must issue appropriate level CARs to the contractor when a contractual noncompliance is identified during surveillance events.

3.5. DEFENSE CONTRACT AUDIT AGENCY (DCAA) IDENTIFIED NONCOMPLIANCE.

When DCAA identifies a CBS noncompliance, the ACO will determine the appropriate level CAR.

SECTION 4: GENERATING A CAR

4.1. CAR LEVELS AND TYPES.

FS and ACOs must initiate and track all CARs via the Agency SoR. The level of the CAR depends on the severity of the noncompliance and the level of contractor management engagement required. The FS or ACO must coordinate, approve, and distribute CARs in accordance with Table 1, “CAR Coordination, Approval, and Distribution Matrix.” Classified information must not be entered into the Agency SoR.

a. The CAR levels are:

(1) Level I CAR.

Level I is issued for noncompliances that are minor in nature and are promptly corrected by the contractor. Root cause analysis (RCA) is not required, and further preventive action is not needed. Level I CARs must be issued to the contractor management level responsible for correcting the cited noncompliance. While the contractor must correct the noncompliance, further actions are not required regarding the specific noncompliance. The FS or ACO will document the CAR in the Agency SoR for data collection and analysis purposes.

(2) Level II CAR.

Level II is issued for noncompliances that are not promptly correctable and warrant a CAP by the contractor. A written CAP from the contractor is required. Level II CARs must be directed to the contractor management level responsible for initiating corrective actions. At a minimum, noncompliances associated with Critical Safety Item (CSI) critical characteristics or important manufacturing processes (IMPs) must be issued at this level.

(3) Level III CAR.

Level III is issued to the contractor’s management responsible for the company or business segment to call attention to a serious noncompliance, a “significant deficiency,” or “material weakness” for CBS, a failure to respond to a lower-level CAR, or to remedy repeat findings. A written CAP from the contractor is required. A Level III CAR may result in the initiation of available contractual remedies, such as reductions of payments, cost disallowances, revocation of government assumption of risk of loss, etc. For CBS, a Level III CAR will be issued with a final determination that disapproves a business system.

(4) Level IV CAR.

Level IV is issued to the contractor’s business segment or corporate management when the contractual noncompliance(s) is of a serious nature or when a Level III CAR has been ineffective. A written CAP from the contractor is required. A Level IV CAR will constitute the basis for an ACO independent review of available contractual remedies such as cost disallowance, reduction or suspension of payments, revocation of government assumption of risk

of loss, business system disapproval, or suspension of product acceptance activities. Contractual remedies are in accordance with Part 52 of the FAR or Part 252 of the DFARS contract clauses, as well as other contract terms and conditions.

b. Action to suspend product acceptance can only be accomplished via a Level IV CAR.

c. The exercise of contractual remedies is a separate action, distinct from the issuance of a CAR, and is governed by regulations such as the FAR or DFARS or Procedures, Guidance, and Information system. Close teamwork between the ACO and FS is essential to effectively influence supplier performance. While the determination of the appropriate remedy is ultimately the ACO's responsibility, the ACO should consider recommendations from FSs for contractual actions. Contract remedies include regulatory requirements such as those impacting business system approval or adequacy determinations. At any point in the CAR process, the ACO retains the right to exercise, as appropriate, any contractual rights or remedies otherwise available to the government in accordance with applicable regulations.

d. All CARs issued to the contractor must clearly state that the request should be treated by the contractor as a customer complaint and include the information contained in Paragraph 5.1.b.

e. The types of CARs are:

(1) Prime Contractor CAR (P-CAR).

A P-CAR will be issued to the prime contractor when a noncompliance is found. The subcontractor FS (Sub-FS) or ACO will issue a P-CAR directly to a subcontractor if they have a prime contract with like contractual requirements to their subcontracted work.

(2) Delegated Surveillance or PoP Notification CAR (D-CAR).

A D-CAR will be transmitted to the prime FS or ACO when the subcontractor has no prime contract with the government and has delegation and PoP work only.

(3) Exception to Delegated Surveillance or PoP CAR (E-CAR).

An E-CAR will only be issued to a subcontractor that has no prime contractor work under the exceptions found in Paragraph 4.2.d.

(4) Host Nation CAR (H-CAR).

(a) An H-CAR will be issued when the CAR is controlled outside of DCMA by the host nation. When a host nation or foreign entity is performing surveillance activities for DCMA, the host nation issues CARs for noncompliances discovered directly to the outside the continental United States PoP contractor. The applicable DCMA CMO FS must document H-CARs in the Agency SoR with the information provided by the host nation. The applicable DCMA International CMO FS must upload H-CARs in the Agency SoR. Below is the minimum CAR data the FS will enter when uploading the H-CAR:

- CAR Type: H-CAR
- CAGE Code
- CAR Level: H-CARs are data entry for Level I and Level II only
- Originator Name
- Originator Phone Number
- Originator Email Address
- PoP CAGE
- Subcontractor Purchase Order Number
- Prime Contract CMO DoDAAC
- Prime Contract Number
- Prime CAGE
- Noncompliance Observation Date
- Assigned Functional Area
- Key Contract Requirement
- Critical Characteristic or Process
- Category
- Type
- Noncompliance Description
- Contractual Requirement Reference

(b) Minimal Information not included by the host nation will be the FSs responsibility to determine.

(5) OASIS CAR (O-CAR).

An O-CAR is issued for a AS9100 QMS specific major noncompliance and will be issued as a minimum Level II in accordance with the OASIS Guidebook located on the resource page for this manual.

4.2. SUBCONTRACTOR NONCOMPLIANCE.

Prime contractors are ultimately responsible for the flow down and execution of contractual requirements throughout its supply chain. When contractual requirements are not met, immediate containment and RCA are the responsibility of the prime contractor. The prime FS or ACO assumes responsibility for overseeing the completion of the corrective action process. When DCMA discovers a noncompliance at any subcontract level, the notification must flow up through all appropriate Sub-FS or ACOs to the prime FS or ACO. The prime FS or ACO will review all notifications of noncompliance(s) found at subcontractors' locations and communicate with the Sub-FS or ACO as required to fully understand the noncompliance(s). CARs will be issued to the prime contractor for both a Letter of Delegation and contracts that identify the subcontractors' location as the PoP unless the subcontractor has a prime contract with like requirements. Communication is imperative throughout the entire process.

a. When a contractor is performing only subcontract work or the noncompliance is exclusively applicable to subcontract work, the Sub-FS or ACO cognizant of the subcontractor

must draft a D-CAR at the appropriate CAR level and send a notification to the prime(s) FS(s) or ACO(s), as applicable, so a P-CAR can be issued to the prime contractor(s).

(1) The prime FS or ACO initiating the P-CAR will ensure the data and any supporting attachments do not contain proprietary or competition sensitive information.

(2) Delegations that have multiple subcontractor tiers in the supply chain will require communication by the Sub-FSs or ACOs to go up to the next immediate tier FS or ACO until it reaches the FS or ACO with cognizance for the prime contractor. Acknowledgement and continuous communication between the Sub-FS or ACO and the prime FS or ACO is vital for successful corrective actions. All Sub-FSs or ACOs should review the noncompliance to identify impacts to other contract surveillance.

(3) The Sub-FS or ACO will provide a draft copy of the CAR to the subcontractor and it must be clearly marked as “Draft.” The transmittal document to the subcontractor must contain the following disclaimer statement: “This draft is subject to revision before issuance by the prime contractor and is being provided for awareness of a noncompliance. It is for your information only. The Government is performing contract administration in accordance with Part 42.302 of the FAR, and Part 242.302 of the DFARS. No action taken by the Government or you company pursuant to this draft CAR will establish a contractual relationship between your company and the Government.”

(4) When the sub-contractor has multiple subcontracts from more than one prime contractor for which contract administration delegations have been received, the FS or ACO will create one D-CAR with a notification sent to each affected prime FS or ACO.

(5) The prime FS or ACO will acknowledge the notification within 5 business days. A P-CAR will be issued to the prime contractor within 3 business days after acknowledgment. The D-CAR must be linked to the P-CAR in the Agency SoR.

(a) D-CARs will only be withdrawn if it is determined to not be a valid contractual noncompliance. Any minor grammatical changes should be made by the prime FS or ACO.

(b) The prime FS or ACO will assess whether there is historical or current data indicating the prime contractor’s control of subcontractor processes is ineffective.

(c) The prime FS or ACO will issue a separate CAR if the prime contractor’s controls are determined to be ineffective.

(6) Primary communication between the prime FS or ACO and the Sub-FS or ACO concerning the D-CAR must include the following topics and be documented in the Agency SoR:

- Initial conversation describing the noncompliances and the recommendation for the appropriate level of CAR.

- Joint reviews and conversations concerning the prime contractor's CAP effectiveness.
- Any actions taken by the prime contractor at the subcontractor location(s) for the cited noncompliance.
- Confirmation that the identified noncompliance(s) were corrected and containment is adequate.
- Concurrence for closing the CAR. Disagreements will be elevated as necessary until resolved.

(7) Verification of the corrective actions and validation of the correction of the original noncompliance(s) may take place at the subcontractor by the Sub-FS or ACO.

b. How to address subcontractor noncompliances where DCMA has been delegated surveillance but does not administer the prime contract.

(1) The FS or ACO will follow the notification process set out in the delegation.

(2) If the delegation provides that the details of the noncompliance will be provided to the subcontractor, the FS or ACO will follow procedures for informing the subcontractor. However, the FS or ACO will not issue a CAR to the subcontractor.

c. The FS or ACO will issue a P-CAR directly to the subcontractor when they have both prime contracts and subcontracts and a noncompliance is found with like contractual requirements on both prime contracts and subcontracts. The CAR must cite the applicable prime contract and a P-CAR must be issued to the subcontractor.

(1) Although the CAR cites a prime contract when the noncompliant condition also applies to subcontracts, a copy of the CAR will be provided to all impacted prime FS or ACO(s). The prime FS or ACO(s) will share the CAR with the prime contractor(s) and assess whether there is historical or current data indicating ineffective prime contractor control of their subcontractor. If the prime contractor's control of subcontractors is determined by the FS or ACO to be ineffective, a separate CAR must be issued to the prime contractor. In all cases, proprietary information must not be released to the other contractors.

(2) If the noncompliance is found at an entity that is part of the same company as the prime contractor, but the work is performed by a different division or business unit of the prime contractor (e.g., through an Inter or Intra-Divisional Work Transfer), the FS or ACO with cognizance over the business unit where the noncompliance occurred will issue the P-CAR. For CBS material weaknesses or deficiencies, the FS or ACO will issue a P-CAR to the business unit with the applicable contractual CBS requirements.

d. The FS or ACO will issue an E-CAR directly to the subcontractor without prime contractor work for:

(1) Noncompliances to DFARS 252.223-7002, follow the requirements of DCMA-MAN 2301-07, "Contract Safety."

(2) Canadian Commercial Corporation, CAGE 98247 contracts under DCMA Americas, the contractor with the prime PoP can be treated as the prime contractor.

SECTION 5: ISSUING AND PROCESSING A CAR

5.1. ISSUING A CAR.

a. FSs or ACOs must initiate and track the CAR in the Agency SoR. All Level II-IV CARs require the contractor to provide a written CAP which must be entered into the Agency SoR. For Level III or IV CARs, follow the communication process requirements in Paragraph 6.1.f. The ACO will issue a Level III CAR with a final determination that disapproves a business system pursuant to DCMA-MAN 2301-01.

b. The FS or ACO must include the following minimum CAR elements:

- Date noncompliance observed
- CAR level
- Name of the prime contractor(s)
- Location of prime contractor(s)
- Point of contact at prime contractor(s)
- CAGE of prime contractor(s)
- Name of subcontractor(s), if applicable
- Location of subcontractor(s), if applicable
- Point of contact of subcontractor(s), if applicable
- CAGE of subcontractor(s), if applicable
- Program(s), if applicable
- Prime contract number(s) or government purchase order,
 - Include procurement instrument identification number, if applicable
 - For multiple contracts, enter the affected contract numbers that apply to all applicable customers (e.g., U.S. Army, U.S. Navy), if applicable; the additional contracts may be referenced if the system of record cannot account for all the contract numbers required
 - Prime contractor's purchase order or subcontract number to subcontractor, if applicable
- Contractual requirement reference(s)
 - CAR must reference the contractual requirement(s) of the noncompliance (e.g. drawings, process specifications and standards, contract clauses, QMS or CBS requirements.)
 - Contractor's process(es) must be referenced in the CAR
- Noncompliance(s)
 - Cited noncompliance description must document a clear departure from the contractual requirement, contractor process and related procedures, or other requirements
 - Identification of CSI if the noncompliance is associated with CSI critical characteristics or IMPs
- Due date for contractor's CAP, maximum of 45 calendar days for initial CAP submission
- Customer Complaint statement "The request should be treated by the contractor as a customer complaint."

- Disclaimer Statement “Nothing in this CAR changes any terms or conditions of the contract or waives any rights the Government has under the contract or in law.”

c. In addition to being a method to influence contractor compliance, CARs are a valuable data resource for DCMA. CAR data is used for data collection and analysis, risk assessment, and resource management. The FS should consider these outputs when determining the scope and inputs of a CAR.

(1) Occasionally, inspections may identify many areas of noncompliance during one surveillance action. Inspections that identify multiple discrepancies or defect quantities should be documented with efficiency and data retrieval in mind.

(2) When practical, the FS should group defect types identified during a single inspection and write one CAR per defect type. For example, an inspection that identifies four defects for a wire chafing condition would result in one CAR. An inspection that identifies four defects for wire chafing and two defects for improper coatings would result in two CARs. This allows DCMA to easily retrieve data for trend analysis and enables the contractor to effectively perform RCA.

d. The contractor will be given no more than 45 calendar days from the date of CAR issuance to submit their CAP. If the contractor fails to reply by the suspense date, the FS or ACO will issue a follow-up notification allowing 10 additional calendar days. If the contractor fails to respond within the 10 additional calendar days, the FS or ACO will escalate the CAR to the next level.

e. For CBS, the ACO must make a determination that a significant deficiency (2012 clause) or a material weakness (Jan 2025 clause) exists as defined at DFARS 252.242-7005 prior to disapproving the business system. Additional guidance for CBS is in accordance with DCMA-MAN 2301-01.

5.2. REVIEWING A CAP.

a. When reviewing, accepting, or rejecting a contractor’s CAP, each noncompliance must address the following areas:

- Root cause of the noncompliance
- Action(s) taken to correct the current specific noncompliance(s)
- Corrective action(s) taken or planned to eliminate noncompliance(s)
- Action(s) taken to prevent recurrence of the noncompliance(s) and ensure future compliance
- Target date(s) for implementation of planned actions
- Identification of scope for containment actions: Determination of whether other processes, financials, costs, products, services are affected by the identified root cause, including product already delivered to the customer.

b. The FS or ACO will review the contractor’s proposed CAP in response to the CAR and ensure each cited noncompliance in the CAR is addressed.

(1) To determine if a root cause is adequate, the FS or ACO must review the RCA to ensure:

(a) Contractor used their RCA process to:

1. Identify the root cause (e.g., fish bone diagram, five why's).
2. Identify multiple root causes, as appropriate.

(b) All appropriate contractor departments were involved in the determination of the root cause, especially for CARs issued that are systemic.

(c) The RCA has enough detail for the FS to clearly understand the root cause.

(d) CBS CAPs are in accordance with DCMA-MAN 2301-01.

(2) To determine if a CAP is adequate, the FS or ACO must review the CAP to ensure:

(a) Each noncompliance and its cause are adequately identified and addressed.

(b) Containment identifies and addresses the full scope of the noncompliance(s).

(c) The corrective action is permanent to ensure no recurrence of the noncompliance.

(d) The corrections identify needed changes to the contractor's procedures and training as appropriate.

(e) The target dates are reasonable based on risk and complexity of the proposed corrective action.

c. The FS or ACO will preliminarily accept the CAP in the Agency SoR when the contractor's CAP response meets the requirements of Paragraphs 5.2.a. and 5.2.b. Verification and validation will then be scheduled to ensure the CAP adequately corrected all the identified noncompliances.

d. When a CAP does not adequately address the requirements cited in Paragraph 5.2.a., the FS or ACO must reject the response with a written rejection addressing the specific part(s) of the CAP deemed inadequate and describing the basis for the inadequacy determination. The complexity of the contractor's response may warrant an in-person discussion of the concerns. The rejection will allow the contractor a maximum of 10 business days to submit a revised CAP. A contractor may request an extension that must include a valid justification. If the FS or ACO determines the proposed corrections do not resolve the noncompliance(s) and the CAR does not warrant being escalated, they must send a copy of the CAR to the contractor's next higher management level for the response. It is important the FS or ACO communicates with the

contractor's next higher-level of management prior to forwarding the CAR. If the CAP is rejected a maximum of three times, the CAR will be escalated.

e. The FS or ACO will escalate the CAR to the next higher CAR level if the contractor does not respond by the revised or extended CAP due date, or the resubmitted response is still insufficient. The new escalated CAR will be reissued to the next level of contractor management. The process and timeline will start over in accordance with Paragraph 5.5.

f. For CBS, the ACO must make a determination that a significant deficiency (2012 clause) or a material weakness (Jan 2025 clause) exists as defined at DFARS 252.242-7005 prior to disapproving the business system. Additional guidance for CBS is in accordance with DCMA-MAN 2301-01.

g. If a CAR was issued in error, then the FS or ACO will withdraw, close, and add an explanation as to why it was withdrawn on the CAR record in the Agency SoR. Withdrawing a CAR could adversely impact DCMA credibility. Based on this, every effort should be made to avoid withdrawing a CAR. The FS or ACO should be certain of a noncompliance before requesting formal corrective action.

5.3. VERIFYING A CONTRACTOR'S CAP.

The FS or ACO will:

a. Verify the contractor's implementation of corrective and preventive actions. This review will ensure that the contractor has made the changes to their system or processes that they identified as a part of their proposed CAP.

b. Document the results of the verification review, including what was reviewed and the date completed within the approved Agency SoR.

c. During the verification process if corrective actions are not implemented in accordance with the accepted CAP, issue an additional CAR for failure to implement corrective action referencing the original CAR. The FS or ACO should also consider escalating the original CAR if applicable.

5.4. VALIDATING A CONTRACTOR'S CAP.

The FS or ACO will:

a. Perform validation after the contractor has completed the corrective actions to ensure full resolution of each noncompliance.

b. Establish a suspense date for the validation review. The suspense date must allow reasonable time for the corrective and preventive actions to be successfully established. The validation review must ensure the implementation is effective in preventing recurrence of each noncompliance. Follow-up actions may include any or all the following, process evaluation or deliverable product evaluation.

c. During the validation process, when objective evidence establishes corrective actions are not effective to correct the noncompliance(s):

- Notify the contractor via CAP rejection in the Agency SoR, citing the rationale. The rejection notification letter will be in writing and include evidence of the inadequacy.
- Issue an additional CAR for ineffective corrective action(s) with a reference to the original CAR.
- Consider escalation of the original CAR, if applicable.

d. Document the results of the follow-up review, including what was reviewed and the date the review was completed within the approved Agency SoR.

5.5. ESCALATING A CAR TO THE NEXT HIGHER-LEVEL.

a. Escalation may not be required if the CMO, center, or higher command's leadership are confident the contractor will take adequate corrective action. The FS or ACO must document the justification for not escalating in the Agency SoR. Escalation can only occur when the CAR is open. One or more CARs can be combined and escalated at the same time. CARs selected for escalation will be closed to allow any unresolved noncompliances to be incorporated into the new CAR. When escalating the CAR, the FS or ACO must add a new noncompliance to allow for rationale for escalation.

b. A CAR will be escalated one or more levels when a contractor is unwilling or unable to implement effective corrective actions. Examples of when a CAR will be escalated include:

- Repeat findings for Level I or II noncompliances that identify ineffective corrective actions that indicate a breakdown of one or more contractor processes or systems. If the same noncompliance is discovered prior to CAP implementation and verification due to the lack of containment, then an additional noncompliance against the corrective action process must be written (i.e., lack of sufficient "containment").
- Contractor is nonresponsive to a CAR.
- Maximum of three rejections of the contractor's CAP for the same CAR.
- Recurring documented history of CAP rejections indicating a breakdown of the contractor's corrective action system.
- Contractor fails to perform verification and validation.
- Contractor fails to implement corrective actions outlined in their CAP.

c. When it becomes necessary to escalate a CAR, the FS or ACO will use the Agency SoR to document the date and justification for CAR escalation. The FS or ACO will request the contractor submit a CAP within 10 calendar days.

d. The ACO, in conjunction with the FS, will complete the Level III or IV CAR Communication Process prior to issuing an escalated Level III or IV CAR.

5.6. CLOSING A CAR.

- a. When the FS or ACO is satisfied the contractor's corrective actions are appropriate to prevent recurrence of the noncompliance, any additional corrective action details will be recorded in the Agency SoR.
- b. The FS or ACO will use the Agency SoR to close the CAR and notify the contractor within 15 calendar days of completion of validation.
- c. For Level III and IV CARs, the ACO will issue a letter notifying the contractor of the closure action and send copies to all those addressed and copied in the original CAR.

5.7. RECOUPMENT OF REINSPECTION COSTS.

- a. Where statutes, regulations, or contract terms allow, recoupment of reinspection costs may be considered if there are repeated rejections of supplies that require retesting or supplies are consistently not ready for FS inspection when inspection is requested.
- b. The FS will provide supporting data (i.e. CARs, CAP rejection) and recommend the ACO take necessary action for recoupment in accordance with DCMA-MAN 2301-06.

SECTION 6: CAR COMMUNICATION AND COORDINATION

6.1. PROCESS GUIDELINES.

a. Open communication of CARs is required. This process includes coordination, reporting, and awareness by the FLS, group leads, CMO chain of command, program support teams, other functional areas, delegated CMOs, operational commands, centers, customers, and contractors.

b. The CAR originator must ensure all Level II and above CARs are sent to the ACO, and as applicable, coordinated across the AMT and with other stakeholders.

c. The FS or ACO must coordinate cross functionally for a contractual noncompliance identified outside of their functional area.

d. When DCMA is performing surveillance activities for NASA, the Missile Defense Agency (MDA), or a foreign entity at a continental United States contractor, the FS or ACO will issue a CAR for noncompliances discovered directly to the continental United States PoP contractor. Prior to issuance, the DCMA FS or ACO will send a notification of the noncompliance(s) to the NASA or MDA point of contact for concurrence as required by the customer.

e. The FS or ACO must not release any CAR information to anyone outside of the government or applicable contractor. Violation of the statutes or regulations protecting such information can result in criminal fines or other penalties, including disciplinary action up to and including removal from Federal service. Consult with the appropriate chain of command as well as the servicing Office of General Counsel to determine if redaction of information is necessary prior to release. Subcontractor notifications to the prime FS are considered government to government communication. The prime FS must ensure that proprietary information is not released when issuing the CAR.

f. Level III and IV CARs will follow the Level III and IV CAR Communication Process. This process is found on the resource page of this manual.

g. All CARs will be coordinated, approved, and distributed in accordance with Table 1.

Table 1. CAR Coordination, Approval, and Distribution Matrix

CAR Level	Pre-Release Coordination *	Pre-Release for Notification Only *	CAR Release Authority & CAP Approval *	Issued To Contractor Management Level (recommended)	Post-Release Distribution**
I	Not required	Not required	FS or ACO	Lowest management responsible to correct defect	Not required
II	AMTs, Aviation Program Teams (APTs), Other functions when impacted. Additional coordination prescribed locally	AMTs, APTs, Other functions when impacted. Additional coordination prescribed locally	FS or ACO	Functional management level responsible for Corrective Action	ACO; the originator of any Quality Assurance Letters of Instruction or Letters of Delegation; any affected CMO, center, or command functions; and DCAA for financial- related noncompliances
III	AMTs, APTs, CMO leadership, Legal Counsel, CIC, applicable Commands and Centers (e.g., Property, Purchasing, Small Business, and applicable customer(s))	Agency Director, AMTs, APTs, Other functions when impacted. Additional coordination prescribed locally.	ACO	Top-level management at business segment or corporate manager	Agency Director. CMO leadership, CIC, any affected DCMA Commands or Centers, affected customers, and DCAA representatives.
IV	AMTs, APTs, CMO leadership, Legal Counsel, CIC, applicable Commands and Centers (e.g., Property, Purchasing, Small Business, and applicable customer(s))	Agency Director AMTs, APTs, Other functions when impacted. Additional coordination prescribed.	ACO	Top-level management at business segment or corporate manager	Agency Director. CMO leadership, CIC, any affected DCMA Commands or Centers, affected customers, and DCAA representatives.
* For CBS, follow the CBS Guidance for CAR Concurrence and CAP Acceptance. ** As applicable					

h. For noncompliances that come from operational commands and centers that do not have contract administration authority, (e.g. Safety, EVMS), the administering CMO FS or ACO must be notified of all CAR issuances, follow-up actions, and closure. Operational commands and centers will ensure the distribution list in the Agency SoR has the applicable CMO, AMT, and FS or ACO members included for process awareness.

i. A written notification prior to release of any Level III or IV CARs will be submitted by the authoring organization's leadership to the DCMA Director via the chain of command using the Level III or IV CAR Communication Process. This is a notification only and must provide an executive-level synopsis of the underlying CAR and noncompliance. Approval is pursuant to Table 1.

j. The ACO will issue a notification through the Agency SoR for Level III and IV CARs to the contractor. The notification may include the documented communication from the CMO, Center, applicable higher-level command, to the contractor's senior leadership, communicating the significance of the CAR.

6.2. COORDINATING A CAR.

a. Internal coordination and concurrence must be accomplished in a timely manner. Coordination requests must include a suspense date and specifically state the urgency of the request.

b. If fraud, corruption, or counterfeit items are suspected, the FS or ACO must report the fraud indicator to the applicable regional CIC counsel and coordinate any CARs associated with such suspicions with the applicable CIC counsel prior to issuance.

c. Communication between affected customers and the CMOs or centers or commands is critical, especially when "significant deficiencies" or "material weaknesses," depending on the CBS clause in the contract, are identified, and whether the contract has been modified to the 2025 clause or awarded after January 2025. These communications must advise the customer of DCMA actions to address the specific instances, underlying root causes, and potential impacts, if known. Consideration should be given to notifying the procuring contracting officer at levels lower than instances of "significant deficiencies" or "material weaknesses" as a lower-level CAR can affect the contractor's delivery schedule.

d. Coordination with customers can serve to develop a unified government position. However, customers **do not** have the authority to direct DCMA to either issue or not to issue a CAR. The FS or ACO has an independent responsibility to address noncompliant contractor performance. Customer concerns with DCMA issued CARs will be escalated through the DCMA management chain, as appropriate.

GLOSSARY

G.1. ABBREVIATIONS AND ACRONYMS.

ACRONYM	MEANING
ACO	administrative contracting officer
APT	Aviation Program Team
AMT	award management team
CAGE	Commercial and Government Entity
CAP	corrective action plan
CAR	corrective action request
CBS	contractor business system
CIC	Contract Integrity Center
CMO	contract management office
CSI	Critical Safety Item
D-CAR	Delegated Surveillance or PoP Notification CAR
DCAA	Defense Contract Audit Agency
DCMA-MAN	DCMA Manual
DFARS	Defense Federal Acquisition Regulation Supplement
E-CAR	Exception to Delegated Surveillance or PoP CAR
EVMS	Earned Value Management System
FAR	Federal Acquisition Regulation
FLS	first level supervisor
FS	functional specialist
H-CAR	host nation CAR
MDA	Missile Defense Agency
IMP	important manufacturing process
NASA	National Aeronautics and Space Administration
OASIS	Online Aerospace Supplier Information System
O-CAR	OASIS CAR
P-CAR	prime contractor CAR
PoP	place of performance
QMS	quality management system

RCA	root cause analysis
SoR	system of record
Sub-FS	subcontractor FS

GLOSSARY

G.2. DEFINITIONS.

TERM	DEFINITION
ACO	A warranted contracting officer with the written authority to administer contracts. For purposes of this manual, ACO includes divisional ACO and corporate ACO.
Agency SoR	Generic description of any documentation storage eTool that is approved for use by the agency. For this application, Product Data Reporting and Evaluation Program is the Agency SoR. Special Programs Command will follow guidance and direction in accordance with technical or program Security Classification Guide for maintaining and storing surveillance records.
CAR	A request for a contractor to take action to eliminate the cause of an identified contractual noncompliance.
center	Defined in DCMA-MAN 4501-03, "Organization Structure, Mission and Function"
common source	Defined as a requirement, process, output, or responsibility.
common cause	Defined as training, procedural or behavioral.
compliance	Conformity in fulfilling official requirements. If audit criteria are selected from statutory requirements or regulatory requirements, audit findings can be called in compliance or noncompliance. Noncompliance is a state of not being in compliance.
conformity	Fulfilment of a requirement.
E-CAR	An exception CAR that is issued directly to the subcontractor. Approval to issue an E-CAR must be obtained for any exceptions not listed in Paragraph 4.2.d.
FS	FSs are personnel assigned to perform various surveillance tasks or functions in support of the agency's mission (e.g., auditor, contract administrator, cost monitor, engineer, industrial specialist, information technology specialist, or quality assurance specialist).

IMP	Processes that are associated with the manufacturing, production, and assembly of CSIs. Something that will affect the form, fit or function of the CSI part.
Inter or Intra-Divisional Work Transfer	A process used by contractors where contract performance is shared between different divisions within the same major corporate entity. Typically, the company will use an inter-divisional work order to document this transfer of responsibility between divisions.
material weakness	Defined in DFARS 252.242-7005.
noncompliance(s)	A departure from contractual requirements. The term noncompliance is synonymous with nonconformance(s) and deficiency(ies).
OASIS	OASIS is an online system which maintains a list of suppliers who are certified or registered under the International Aerospace Quality Group rules to be in compliance with the aerospace QMS requirements of AS9100 series documents.
O-CAR	CAR issued for noncompliances specifically related to the contractor's AS9100 QMS. The contractors QMS must be certified to AS9100.
RCA	A method of problem solving used for identifying the root causes of faults or problems.
repeat finding	A noncompliance identified against the same (common source) requirement where previously implemented and verified corrective action(s) failed to prevent a (common cause) reoccurrence within 6 months from the validation date.
serious	Having important or dangerous possible consequences.
significant deficiency	For CBS, defined in DFARS 252.242-7005.
Sub-FS	The FS assigned to the subcontractor.
Validation	Ensure the contractor's proposed CAP corrected the noncompliance and will prevent reoccurrence. This is done by performing process evaluation and deliverable product examination on the revised processes or procedures.

Verification

Ensure the contractor's proposed CAP was incorporated the required processes or procedures. This is done by reviewing the contractor's command media ensuring the contractor's CAP changes were incorporated and a review of the training records or other relevant documentation.

REFERENCES

AS9100, “(R) Quality Management Systems - Requirements for Aviation, Space, and Defense Organization”, current edition
Defense Federal Acquisition Regulation Supplement, current edition
DCMA Manual 2301-01, “Contractor Business Systems,” April 28, 2019
DCMA Manual 2301-06, “Discrepancy Processing,” December 20, 2021
DCMA Online Aerospace Supplier Information System (OASIS) Guidebook, current edition
QMS Reduction of Contracting Financing Payments Job Aid, Aug 26, 2024
DCMA Manual 2301-07, “Contract Safety,” August 4, 2022
DCMA Manual 4501-03, “Organization Structure, Mission and Functions,” April 3, 2019
DoD Directive 5105.64, “Defense Contract Management Agency (DCMA),” January 10, 2013,
as amended
Federal Acquisition Regulation, current edition