



## DCMA Manual 2303-01

### Surveillance

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<b>Office of Primary Responsibility</b>	<b>Contractor Effectiveness Capability</b>
<b>Effective:</b>	December 28, 2022
<b>Releasability:</b>	Cleared for public release
<b>Reissues and Cancels:</b>	DCMA Manual 2303-01, "Surveillance," May 17, 2020 DCMA Manual 2301-02, "Contractor Technical Systems Assessments," July 14, 2019 PTM 21-005, "Policy Change to DCMA-MAN 2303-01, Surveillance," January 10, 2022
<b>Implements:</b>	DCMA Instruction 2303, "Surveillance," May 17, 2020
<b>Internal Control:</b>	Process flow and key controls are located on the Resource Page
<b>Labor Codes:</b>	Located on the Resource Page
<b>Resource Page Link:</b>	<a href="https://dod365.sharepoint-mil.us/sites/DCMA-BCF-Contractor_Effectiveness/SitePages/2303-01-Surveillance.aspx">https://dod365.sharepoint-mil.us/sites/DCMA-BCF-Contractor_Effectiveness/SitePages/2303-01-Surveillance.aspx</a>
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**Purpose:** This issuance, in accordance with the authority in DoD Directive 5105.64, "Defense Contract Management Agency (DCMA)":

- Implements policy established in DCMA Instruction 2303, “Surveillance”
- Supports the output of DCMA Instruction 2501, “Contract Maintenance”
- Reissues and updates this Manual to assign detailed responsibilities for maintaining surveillance of contractor performance
- Prescribes a procedure for integrated multifunctional surveillance that includes: risk, planning, execution, documentation, and feedback
- Creates standardized DCMA surveillance terminology. New issuance definitions are created only when common industry and the DoD definitions are nonexistent or not acceptable
- Authorizes Commanders/Directors and Functional Directors to publish guidebooks for specific topics or functional areas

## SUMMARY OF CHANGES

This Manual was rewritten. Agency users and stakeholders should read this Manual in its entirety. The following identifies the most notable changes:

- Outlines the difference between a Functional Specialist and Administrative Contracting Officer
- Includes documentation requirements for virtual surveillance
- The following Guidebooks are provided as reference material
  - Facility Process Capability Profile Guidebook
  - Corrective Action Request Communication Process
  - Corrective Action Process for Subcontract Level Deficiency Guidebook
  - Corrective Action Request Process Map
  - Online Aerospace Supplier Information System Guidebook
  - Aircraft Launch and Recovery Equipment Critical Safety Items Guide
  - Critical Safety Items for Quality Specialists Guidebook
  - Manufacturing and Production Guidebook
- Outlines hierarchy of Surveillance Categories and Strategies to prioritize work and supports Detection to Prevention
- Integrates surveillance considerations for Contractor Management System Evaluations
- Integrates surveillance considerations for Contractor Business Systems
- Delineates the required actions for Key Contract Requirements that do not require surveillance event(s)/activities
- Outlines the requirement to assess counterfeit material
- Includes additional requirements for documenting schedule development
- Includes additional requirements for surveillance records
- Revises Corrective Action Request response requirements for Level II Corrective Action Requests
- Revises the contractor's response to a Corrective Action Request

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## SECTION 1: GENERAL ISSUANCE INFORMATION

**1.1. APPLICABILITY.** This Manual applies to all DCMA activities, as appropriate, unless other regulations, policy, guidance, or agreements take precedence (e.g., DCMA Aircraft Operations, DCMA International and Special Programs, Navy Special Emphasis Program, reimbursable customer requirements (such as National Aeronautics and Space Administration), Memorandum of Agreement (MOA)). Special Programs Command must comply with the intent of this Manual and other related issuances to the maximum extent practicable for all Special Access Program and Sensitive Compartmented Information contracts.

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

a. Perform multifunctional risk-based surveillance in support of Contract Administration Services and in compliance with Federal Acquisition Regulation (FAR), Defense Federal Acquisition Regulation Supplement (DFARS), and other applicable regulations, supplements, and directives, DCMA Instructions and DCMA Manuals (DCMA-MAN).

b. Execute this Manual in a safe, efficient, effective, and ethical manner.

## SECTION 2: RESPONSIBILITIES

**2.1. DCMA COMPONENT HEADS AND/OR CAPABILITY MANAGERS.** DCMA Component Heads and/or Capability Managers will align surveillance related issuances, Agency training, guidance and tools with this Manual.

**2.2. OPERATIONAL UNIT (OU) COMMANDERS/DIRECTORS AND CENTER DIRECTORS.** OU Commanders/Directors and Center Directors will:

- a. Ensure compliance with this Manual and other related issuances.
- b. Ensure any locally developed training, guidance, and tools align with this Manual.
- c. Assist and mentor the workforce with the implementation and execution of this Manual.
- d. Ensure there is an OU process in place to review documentation, surveillance, corrective actions and provide advice on identified weaknesses to the submitting Contract Management Office (CMO).
- e. Elevate through the chain of command unresolved challenges, including gaps, in executing the processes and procedures of this Manual.

**2.3. CMO COMMANDERS/DIRECTORS.** CMO Commanders/Directors will:

- a. Ensure compliance with this Manual and other related issuances.
- b. Align local training, guidance and tools with this Manual.
- c. Facilitate assistance and mentoring of the workforce with the implementation of this Manual.
- d. Elevate CMO challenges and work with OU to identify gaps and/or improve processes and training.
- e. Ensure counterfeit risk is included during risk assessment.
- f. Ensure personnel are available and qualified for assigned surveillance responsibilities.
- g. Ensure surveillance activities and results are coordinated across the Contract Management Team (CMT) and are communicated and coordinated with individuals performing Contractor Business System (CBS) reviews and Contractor Management System Evaluations.
- h. Communicate surveillance results with internal and external customers, to include written reports. Resolve issues as needed.

**2.4. GROUP LEADERS.** Group Leaders will:

- a. Ensure compliance with this Manual and other related issuances.
- b. Serve as the conduit between the supervisor and the Commander/Director to resolve gaps in surveillance policy/manuals/guidance.
- c. Ensure locally developed training, guidance, and tools align with this Manual.
- d. Assist and mentor the workforce with the implementation of this Manual.
- e. Ensure there is a process, and it is followed, to review surveillance plans at a minimum every 12 months.
- f. Ensure surveillance activities and results are coordinated across all functional areas, as appropriate.
- g. Perform review and endorsement of written reports, as applicable.
- h. Ensure surveillance results are communicated and coordinated with appropriate stakeholders.
- i. Assist in the resolution of issues with internal and external customers that pertain to the surveillance results and written reports.

**2.5. SUPERVISORS.** Supervisors will:

- a. Ensure compliance with this Manual and other related issuances.
- b. Ensure locally developed training, guidance, and tools align with this Manual.
- c. Assist and mentor the workforce with implementation of this Manual, including best practices for assessing and reporting on the contractor's management, operations, and performance.
- d. Facilitate communications between the Functional Specialist (FS) and the Group Leader to resolve gaps in surveillance policy/manuals/guidance and execution.
- e. Ensure resources are properly allocated.
- f. Review and assign surveillance responsibilities to the FS.
- g. Document the review and approval of surveillance plans at a minimum of every 12 months.
- h. Ensure surveillance is performed in accordance with (IAW) the surveillance plan.



i. Ensure surveillance activities and results are communicated and coordinated across the organization or agency components with key technical and financial stakeholders.

j. Resolve issues with internal and external customers that pertain to surveillance results and written reports.

k. Review documentation, corrective actions, and feedback records generated by CMO, Center, or FSs for accuracy and completeness.

l. Review and provide comments on reports as appropriate.

**2.6. FS. FSs will:**

a. Comply with this Manual and other related issuances.

b. Identify all requirements that necessitate surveillance.

c. Plan, schedule, execute and document surveillance events IAW the requirements of this Manual.

d. Ensure the results of surveillance events or activities are accurately documented in the Agency system of record.

e. Maintain appropriate level of communications with internal and external customers.

f. Issue, maintain oversight of, evaluate, determine (acceptable/not), verify, validate and close appropriate level Corrective Action Requests (CAR) when contractual noncompliance is identified.

g. Collect and analyze government, contractor, and customer source data for risk assessment and take action as appropriate.

h. Review the surveillance plan at a minimum of every 12 months based on results of data collection & analysis

**2.7. ADMINISTRATIVE CONTRACTING OFFICERS (ACO).** ACOs, inclusive of Divisional Administrative Contracting Officers (DACO) and Corporate Administrative Contracting Officers (CACO), will:

a. Comply with this Manual and other related issuances.

b. Identify Key Contract Requirements (KCR) related to the contracting functional area that require surveillance.

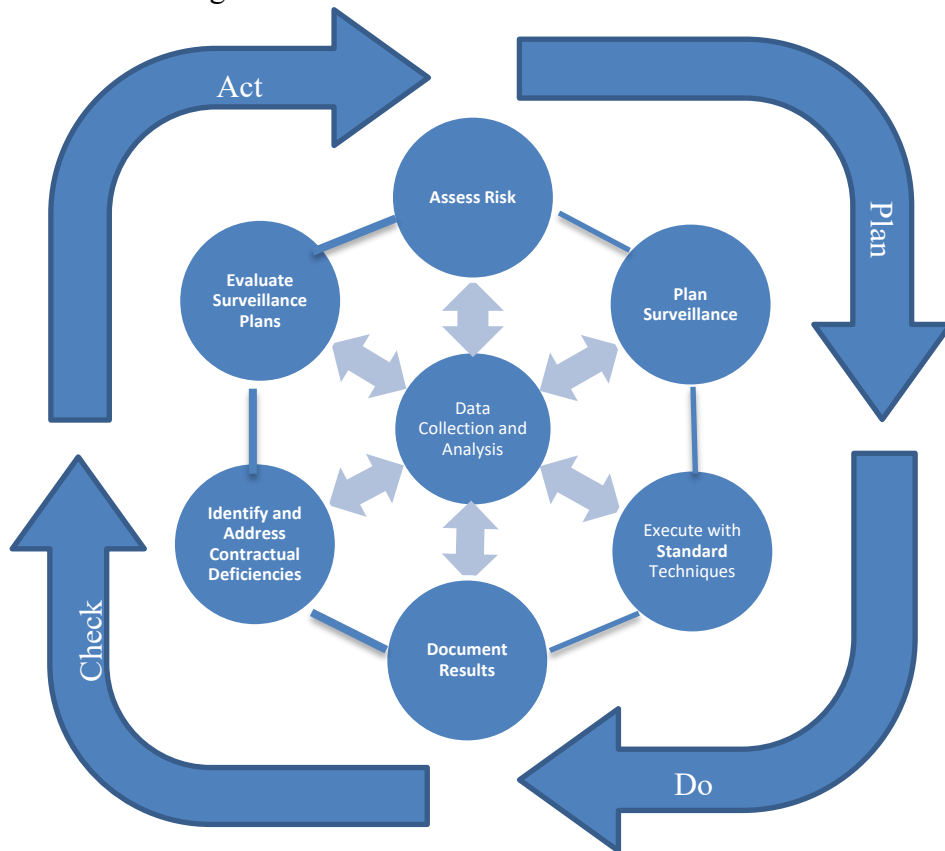
- c. Plan, schedule, execute and document surveillance events related to the contracting functional area IAW the requirements of this Manual or functional guidance.
- d. Ensure the results of surveillance events or activities are accurately documented in the Agency system of record for Contract KCRs.
- e. Maintain communications with internal and external customers.
- f. Collect and analyze source data for risk assessment.
- g. Approve, finalize and issue level III/IV CARs to the contractor when deficiencies are identified by a FS or auditor.
- h. Downgrade a level III/IV CAR, when appropriate.
- i. Apply contractual remedies (e.g., elevating CARs, suspending progress payments, increase withholds), when appropriate.

### SECTION 3: SURVEILLANCE OVERVIEW

#### 3.1. SURVEILLANCE OVERVIEW.

a. Multifunctional risk-based surveillance of a contractor’s systems/processes, progress, deliverable products and deliverable services utilizes a Plan-Do-Check-Act (PDCA) framework, as illustrated in Figure 1. This method supports an overall assessment of contractor performance to, progress towards, or compliance with surveillance requirements. Surveillance can be applied to multiple procurement instruments, as well as internal and external processes and procedures. Surveillance activities apply primarily to post-award; however, surveillance may be performed during any phase of the acquisitions lifecycle, when requested.

Figure 1. Surveillance – Plan-Do-Check-Act



b. Multifunctional collaboration is essential for achieving a comprehensive assessment of a contractor’s compliance to its contractual, statutory, regulatory, financial, or internal requirements.

c. Data collection and analysis (DC&A) is essential to the surveillance process and is performed throughout the surveillance cycle and documented as outlined in Section 9. When performing DC&A:

(1) The FS/ACO:

- Collects
  - Contractor data
  - Government/User data
  - Customer data
- Documents, evaluates and/or analyzes the data collected
- Updates risk assessment based on analysis of performance data to identify trends and/or changes in risk and adjusts surveillance as applicable

(2) Examples of contractor key areas for analysis:

- Plans
- Schedules
- Policies/procedures/command media
- Costs
- Financial Information
- Systems
- Processes
- Progress
- Products
- Services
- Subcontractor Management

d. Risk-based surveillance is planned and performed on DCMA administered contracts including, but not limited to:

- Contracts awarded by DCMA
- Contracts with delegations to DCMA
- Other Transactions

e. Surveillance may be performed using various strategies: contract, program, facility, multi-facility, or CBS.

f. Delegated surveillance will follow DCMA-MAN 2101-04, "Delegate Surveillance."

g. To optimize resources and effectiveness, the most efficient surveillance strategies should be utilized, considering factors such as risk, scope, schedule, resourcing constraints, and organization of contractor data.

h. The outcomes of the surveillance process are used to gain insight and influence the contractor's technical, cost, and schedule contractual performance including operational safety.

i. DoD Directives and other DCMA issuances are to be considered during surveillance planning, where applicable.

**3.2. SURVEILLANCE GUIDANCE.** In addition to this Manual, consult the surveillance guidance outlined below where applicable.

a. The FS will use the Facility Process Capability Profile (FPCP) process, i.e., contractor process control data, to adjust surveillance to an appropriate level on a risk-based data driven approach on higher-level quality requirement contracts, containing FAR clause 52.246-11, or required for compliance with Aerospace Standard (AS) AS6500, “Manufacturing Management Program,” AS9103, “Aerospace Series - Quality Management Systems – Variation Management of Key Characteristics,” or other applicable industry standards. The intent of instituting the FPCP process is to capture and evaluate supplier data in addition to DCMA data. The FS will use the contractor data to gage the contractor’s ability to control their processes. The outcome of the FPCP process will be used to adjust surveillance to an appropriate level.

(1) Contracts containing higher-level quality requirements require contractors to have and maintain manufacturing process control data. The use of Process Capability Analysis is defined within the higher-level quality requirement documents.

(2) Results of the FPCP process must be documented and communicated with applicable surveillance activity(ies).

(3) The FSs must adjust risk levels and align surveillance activities based on the results of the FPCP process.

(4) Where the risk level supports a reduction in surveillance related to customer mandatory requirements prohibiting reductions in surveillance, the FS will request relief from these customer requirements. The FS is encouraged to follow the process outlined in the “Adjust Surveillance & Implement DCMA Administration Services” section of the FPCP Guidebook.

b. The CAR Communication Process guide found on this Manual’s Resource Page provides guidance for communicating a Level III and IV CAR.

c. Corrective Action Process for Subcontract Level Deficiency guidebook found on this Manual’s Resource Page and its companion document, CAR Process Map, provides guidance to specific details related to issuing CARs associated with subcontractors.

d. For contracts requiring compliance with FAR 52.246-11 and the contractor elects to be certified as AS9100, “Quality Management System - Requirements for Aviation, Space, and Defense Organizations,” the FS should refer to the Online Aerospace Supplier Information System (OASIS) Guidebook. OASIS is an online source for aerospace supplier certification, audit results, registration data, and feedback information. Evaluating the third-party Quality Management System (QMS) certification audit results enables the FS to make appropriate adjustment(s) to surveillance to eliminate duplicative oversight. The guidebook can be found on this Manual’s Resource Page.

e. The FS should refer to the Aircraft Launch and Recovery Equipment (ALRE) Critical Safety Items (CSI) Guide for Quality Assurance Specialists and CSI for Quality Specialists

Guidebook found on this Manual's Resource Page when performing surveillance in support of CSI.

f. Manufacturing and Production FS should refer to the Manufacturing and Production Guidebook found on this Manual's Resource Page. The guidebook provides clarity on the performance of production surveillance activities to include, but not limited to, the assessment of manufacturing systems, delay notifications, customer request actions and supporting special surveillance requests.

g. Quality Assurance (QA) oversight of Navy Special Emphasis Programs contracts and non-Navy Special Emphasis Programs contracts/purchase orders (at Navy Special Emphasis Operations administered suppliers) is accomplished only by Navy Special Emphasis Operations QA Specialists, pursuant to DCMA-MAN 2301-05, "Navy Special Emphasis Programs."

h. If any noted condition affects the health and safety of government employees or potentially cause damage to government property, contact the Safety Center and/or file a hazard report. The FS should be aware of hazards within the workplace and document them in the Job Hazard Analysis for that workplace. Controls, such as Personnel Protection Equipment, are a response to the documented hazards. A link to the safety resource page can be found on this Manual's resource page.

i. Functional and topic specific resources can be found on the specific resource pages. Links to the functional resource pages are located on this Manual's Resource Page.

## SECTION 4: ASSESS RISK

a. The purpose of a risk assessment is to identify and risk rate surveillance requirements. Risk assessment answers questions such as, “What is the likelihood and consequence of a noncompliance associated with the requirement?” During risk assessment, the FS/ACO will determine:

- (1) Consequences of the risk in terms of cost, schedule, and/or performance.
- (2) Likelihood the risk event or activity will occur.
- (3) Resulting risk rating of a requirement for use in prioritization of surveillance.

b. The input to the Assess Risk process is the list of KCRs from the Contract Receipt and Review (CRR) process. Some, but not all, KCRs identified during CRR may drive surveillance events or activities. The full list of KCRs is found on the resource page for DCMA-MAN 2501-01, “Contract Receipt and Review.”

(1) KCRs, to include multifunctional and delegated KCRs and other work requirements accepted by DCMA (e.g., External Customer Letter of Delegation, General Services Administration contracts, MOA) that require surveillance events or activities, must be risk assessed and risk rated to determine and prioritize surveillance.

(2) KCRs that do not drive a surveillance event or activity must be documented with rationale in a system of record unless functional guidance states otherwise. These KCRs are not risk rated and not included in the risk rated surveillance requirements. Functional specific guidance can be found on the resources pages linked from this Manual's resource page.

c. Assessing risk is an iterative approach, repeated during any stage of the PDCA cycle of surveillance and based on all available data, such as data from the Supplier Risk System.

(1) The initial risk assessment is known as a baseline. When there is no risk baseline, an initial risk assessment must be performed to confirm the adequacy of the contractor's command media and compliance of the processes.

(2) If there is no data available and the risk is unknown, the risk should be rated no lower than moderate (i.e., three for both likelihood and consequence as indicated on the 5x5 Risk Matrix), until the risk becomes known.

(3) FS/ACO must document the risk assessment, including rationale, for the rating.

(4) An outcome of DC&A is a determination for making adjustments to risk ratings, which may require changes to surveillance events/activities. Adjustments made to risk ratings and surveillance events/activities must be documented and retained in the Agency system of record(s).

d. Consequence and likelihood guidance is further discussed in the Risk Matrix document located on this Manual's Resource Page. Additional information specific to functional areas are provided on the functional resource page and linked to this Manual's Resource Page.

e. The output of the risk assessment process is risk rated surveillance requirement(s). The minimum elements that must be included for each requirement is: surveillance requirement, risk consequence, risk likelihood, risk rating, and documented detailed rationale that supports the risk likelihood and risk consequence for that requirement. These must be documented in the Agency system of record.

f. Whether counterfeit requirements are specifically identified in the contract or not, the FS with counterfeit risk assessment responsibilities must execute surveillance IAW DCMA-MAN 2301-06, "Discrepancy Processing," to ensure the contractor is executing a risk-based approach to reducing the frequency and impact of counterfeit material. Additional guidance is found on the Discrepancy Processing resource page.



## SECTION 5: PLAN SURVEILLANCE

**5.1. PLAN SURVEILLANCE.** Surveillance planning is an iterative process that receives input from the risk rated surveillance requirements, generated during the Assess Risk process. Planning surveillance consists of three steps: prioritize surveillance requirements, align surveillance requirements with surveillance events/activities, and schedule surveillance activities. When prioritizing surveillance, consideration should be given to determine the most efficient and effective surveillance strategy and category. Additional guidance can be found on functional specific resource pages.

**5.2. PRIORITIZE SURVEILLANCE.** Surveillance requirements are prioritized by using the risk rating and associated documented rationale determined in Section 4, “Assess Risk.”

**5.3. ALIGN SURVEILLANCE.** Surveillance requirements are aligned with surveillance events/activities and identify the following:

a. Contract Number(s) and/or other unique identifier(s).

b. Surveillance Requirement.

c. Surveillance Category. The FS/ACO must select one or more of the following categories that is the most effective and efficient. Surveillance categories are selected considering factors such as risk, surveillance scope, schedule, resourcing constraints, and available contractor objective evidence. The four overarching surveillance categories are:

(1) **System/Process Evaluation.** This surveillance category is utilized to evaluate interrelated or interacting elements or activities of a system (e.g., CBS, higher level quality system, configuration management system, manufacturing management system) **or** process (e.g., statistical process control, peer review, QA, subcontractor management). System/Process evaluations may be conducted or executed as a single, recurring, or incremental event(s)/activity(ies).

(a) The risk assessment process may include additional considerations during surveillance planning due to the scope or complexity of a system/process evaluation. All associated or interrelated risk assessments must be re-evaluated. Examples include, major contractor reorganizations affecting the QMS, eliminating/adding process steps, addition of new equipment or technology (such as automation) to a process.

(b) The risk assessment and resulting planning should be based on the available information about the system/process, including third party certifications and similar contracts/processes at that contractor. This assessment will drive future surveillance events/activities, either of the entire system or a subset of the system/process based on risk. The FS/ACO must use the risk assessment of the associated surveillance requirement to determine and document which of the following steps are required:

1. Evaluate Adequacy. Adequacy evaluations address whether or not the contractor's command media are current, accurate, complete, and capable of satisfying a requirement or meet the need/intent of a requirement. Evaluate the contractor's command media to determine if they are adequately documented and enable the process to meet the contractual requirements.

2. Evaluate Compliance. Evaluate whether the contractor is adhering to contractual and/or procedural requirements.

3. Evaluate Process Effectiveness. Evaluate whether the process provides outputs that meet requirements.

4. If a process and/or its outputs do not meet the requirement(s) and a noncompliance is identified, further action will be required IAW Section 8, "Identify and Address Contractor Performance Deficiencies." A noncompliant process output often results from inadequate policies/procedures. If fraud or counterfeit items are suspected, the fraud indicator must be reported to the applicable regional Contract Integrity Center (CIC) Counsel. Additional guidance may be found in DCMA-MAN 2301-06.

(2) **Progress Evaluation.** This surveillance category is used to evaluate time-phased actual progress compared to the contractual or approved schedule requirements. For example, progress can be verified through evaluations of completed work, work in progress, materials received, milestones completed, entrance/exit criteria (primarily performed at the program/contract level) and delivery surveillance. Evaluations of work can include technical work or cost assessments when time-phased. Some examples of progress evaluations are:

(a) Evaluating the contractor's progress towards contractual/program milestone objectives based on entrance criteria.

(b) Evaluating contractor progress towards closure of their contractual/program milestone action items based on exit criteria.

(c) Evaluating contractor progress compared to the Performance Measurement Baseline.

(d) Evaluating Technical Performance Measure progress against a time-phased planned profile.

(3) **Deliverable Product Evaluation.** This surveillance category is used **in any phase** of the development or production of the product. This category includes but is not limited to evaluations of hardware, software, product, outputs of internal processes, or Contract Data Requirements List (CDRL) items in support of Product Acceptance. Deliverable Product Evaluations are appropriate when supplier performance risk warrants it or if mandated by the customer. Deliverable Product Evaluation is not a preventative approach: therefore, it is not the preferred category of surveillance. If fraud or counterfeit items are suspected, the fraud indicator must be reported to the applicable regional CIC Counsel IAW DCMA-MAN 2301-06.

(4) **Deliverable Service Evaluation.** This surveillance category is used for monitoring compliance of deliverable services throughout a specified period of time based on the contract requirements and may involve periodic acceptance and performance assessments for progress and compliance.

d. **Surveillance Events/Surveillance Activities.** Each surveillance requirement is addressed by assigning one or more surveillance events/activities or stating rationale that surveillance is not warranted based on risk or resource constraints. In the event that resource constraints prevent surveillance execution, communication with supervisor is paramount. After supervisor approval unallocated hours will be documented. Multiple requirements may be addressed by the same surveillance event/activity. Events/activities have been defined by functional area and are found on this Manual's Resource Page.

e. **Risk Rating.** As determined in Section 4.

**5.4. SCHEDULE SURVEILLANCE.** Scheduling surveillance events/activities is an iterative process to plan and document time-phased activities based on surveillance strategies and available resources. FSs/ACOs are expected to coordinate cross functionally to align surveillance activities, as appropriate.

a. **Surveillance Strategy.** Five surveillance strategies are used to optimize resources and evaluate contractor performance to requirements. The surveillance strategy is associated with each surveillance requirement based on the data items associated.

(1) **Contract Surveillance.** A contract surveillance strategy is developed to evaluate contractor performance to a specific contract.

(2) **Program Surveillance.** A program surveillance strategy is used to evaluate contractor performance to contract(s) tied to a single program at one or more facilities. For a Program Support Team (PST), refer to DCMA-MAN 3101-01, "Program Support," for additional requirements.

(3) **Facility Surveillance.** A facility surveillance strategy is used to evaluate contractor performance to multiple contracts tied to one or more programs at a facility. A facility surveillance strategy should be considered when surveillance requirements are common across multiple active Government contracts, and across multiple different programs, within a contractor's facility. If a contractor facility has multiple active Government contracts, common or similar surveillance requirements may exist. In these cases, a facility surveillance strategy should be considered. Aircraft Operations Aviation Program Team members refer to DCMA-MAN 8210-2, "Aircraft Operations," for additional functional surveillance requirements.

(a) Where a facility surveillance strategy exists, compare the surveillance requirements of a new contract to the existing strategy. If an existing event or activity covers the surveillance risks, document the new contract number as addressed in the existing event or activity.

(b) If the surveillance requirement is not included in the existing facility event or activity, add the surveillance as a contract surveillance event/activity to the schedule.

(4) Multi-Facility Surveillance. A multi-facility surveillance strategy is used to evaluate contractor performance at multiple physical locations, associated with multiple Commercial and Government Entity (CAGE) codes, which are the places of performance for one or more Government contracts. A multi-facility surveillance strategy should be considered when surveillance requirements are common across multiple active Government contracts, across multiple different programs, and across multiple different contractor facilities.

(5) CBS Surveillance. Surveillance required on a single business unit (CAGE Code(s)) based on how each individual CBS is being applied by the contractor on Government contract(s).

b. Frequency and Intensity of Surveillance. The FS/ACO uses the level of risk to determine the frequency and intensity of surveillance. The frequency and intensity must be determined to provide the appropriate level of oversight of a contractor's systems, processes, policies/procedures, controls, plans, and schedules to meet contractual requirements and deliver product or services, unless regulatory or other requirements specify a frequency.

c. Resource Allocation. Resources are allocated for scheduled surveillance events/activities. Throughout the life of the surveillance plan, consider optimizing resources and scheduling surveillance to maximize risk mitigation for surveillance events and activities. Higher risk surveillance activities should be prioritized over lower risk surveillance activities.

d. Surveillance Limitations. The FS/ACO must document rationale for surveillance not performed based on risk or resource constraints.

e. Schedule/Plan Development. The following elements must be documented in the Agency system of record, with the exceptions outlined for Host Nations in DCMA-MAN 2501-11, "International Request for Contract Administration Services":

- Program Name(s) (if applicable)
- Contract Number(s) or other unique identifier(s)
- CAGE
- Delegatee CAGE(s) (Delegated to Location CAGE(s)) (if applicable)
- Delegator CAGE(s) (Delegated from Location CAGE(s)) (if applicable)
- Functional Area(s)
- Surveillance Category (System/Process, Progress, Deliverable Product and Deliverable Service)
- Surveillance Requirement(s)
- Surveillance Events
- Surveillance Activity, if appropriate
- Risk Rating
- Frequency (annual, quarterly, monthly, etc.)
- Intensity (full, partial, etc.)

- Surveillance Event/Activity Start Date (month, week, date, as appropriate)
- Surveillance Event/Activity End Date (Optional) (usually Final Delivery Date for recurring activities)
- Allocated Hours (total hours per occurrence, to include preparation and follow up in hours)
- Travel Hours (if applicable in DAI)
- Unallocated Hours (if applicable)
- FS(s)/ACO(s) Assigned

f. **Delegating Surveillance.** To make a determination for delegating subcontract surveillance, follow the requirements IAW FAR 42.202(e)(2). If additional guidance is provided, it will be provided on functional resource pages. Delegate surveillance IAW DCMA-MAN 2101-04, “Delegate Surveillance.” All delegated surveillance KCR must be placed on the delegatee surveillance plan.

g. **Surveillance Plan Modifications.**

(1) **Contract Modifications.** When contract modifications are received containing new surveillance requirements and/or changes to surveillance requirements, the FS/ACO will reassess and adjust surveillance, as appropriate. The FS/ACO will also address potential changes to the current surveillance strategies and the priority of surveillance events or activities based on risk.

(2) **Incorporation of Surveillance Results.** Review the results of surveillance events and activities and consider updates to risk and surveillance, as described in Section 9.

h. **Scheduling Events and Activities with Unknown Dates.** An event/activity may not have a known start date or contract associated with the effort. These events/activities can be scheduled and, if scheduled, are expected to follow the requirements of this Manual. Examples include termination inventory, engineering change proposals, delivery of reports/plans, and test surveillance. These events/activities can be scheduled to account for resources when the event or activity causes previously scheduled surveillance activities to be deferred or cancelled.

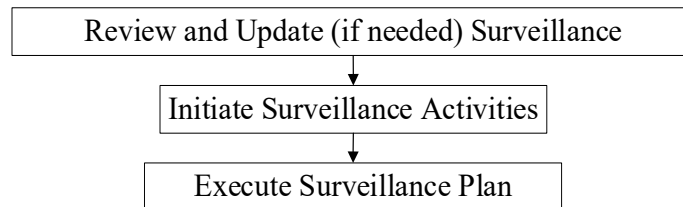
i. **Unexpected Surveillance Events and Activities.** If an unexpected surveillance event/activity is required, the FS/ACO must assess the necessary change(s) and make adjustment to the surveillance scheduled, as appropriate. Examples include request for variance or follow up to corrective actions.

j. **Scheduling Complete.** Scheduling is complete when all surveillance requirements have assigned activities with all required data elements documented or rationale is provided for why surveillance is not scheduled.

## SECTION 6: EXECUTE SURVEILLANCE

**6.1. EXECUTE SURVEILLANCE.** This section focuses on the steps to execute surveillance as shown in Figure 2, and provides standardized terminology. The steps need not be performed sequentially and may often be performed repetitively depending on surveillance results.

**Figure 2. Execute Surveillance Plan**



**6.2. REVIEW AND UPDATE SURVEILLANCE.** The FS/ACO will review and update the surveillance plan, if needed.

**6.3. INITIATE SURVEILLANCE ACTIVITIES.** To minimize impact on resources and to improve efficiency, the FS/ACO may consider actions not requiring performance at the contractor's location. The sequence of all surveillance activities may vary and/or be repetitive. Surveillance actions include:

a. Perform Surveillance Requirements Document Review. Perform reviews of the applicable documents for specific requirements related to surveillance. Examples of applicable documents include:

- Planning events documents (e.g., Surveillance Plan)
- Applicable DCMA issuances
- CRR documentation and/or latest contract modifications.
- Delegations, MOA, and Memorandums of Understanding

b. Determine Surveillance Logistics. The FS/ACO should perform the following preparation activities:

(1) Confirm and/or adjust surveillance objectives and determine focus areas.

(2) Determine if joint surveillance can be utilized. Joint surveillance is performed as a team with either the contractor, other government entities (e.g., Missile Defense Agency), and/or DCMA multifunctional team. The use of co-leads is encouraged to ensure findings are discussed to provide a common conclusion versus having multiple FSs/ACOs performing independent evaluations and reaching different conclusions.

(3) Ensure the identified team members are available.

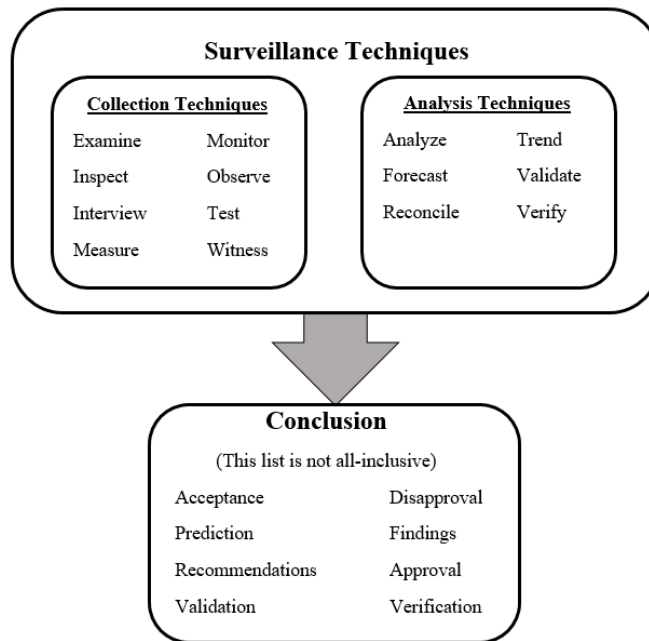
(4) Coordinate with team members and establish roles and responsibilities, as applicable.

(5) Determine whether virtual surveillance will be effective or if on-site surveillance will be required. If virtual surveillance will be conducted, the FS/ACO must document the decision to perform virtual surveillance in the Agency system of record. If on-site is necessary, the logistical considerations such as travel, contractor coordination, data needs and access/availability may need to be coordinated.

c. Review Data. Identify, review and analyze relevant data. Utilize sampling when appropriate. Review the data for completeness and obtain additional data as necessary. Examples of relevant data to obtain:

- Command Media
- Command Media defined work products or process outputs (artifacts)
- Performance metrics or indices (procuring activity, contractor or government data)
- Contractor personnel required certifications
- Past DCMA evaluations, CARs, Corrective Action Plans (CAP), contractor internal and external audit results
- Test results
- Contract data deliverables
- Contract plans, such as Configuration Management, Program, etc.
- Financial reports
- OASIS database

d. Identify Surveillance Techniques. DCMA uses 14 surveillance techniques shown in Figure 3. Surveillance techniques are actions that describe collecting and/or analyzing information to determine the conclusions through the evaluation of events or activities of a system/process, progress, or deliverable product/services.

**Figure 3. Surveillance Techniques in Support of Conclusion(s)**

e. DCMA performs the following surveillance techniques (examples are provided on this Manual's Resource Page):

(1) Surveillance Techniques for Data Collection:

(a) **Examine.** Examine is used to review **non-deliverable** contractor process outputs/artifacts, material, equipment, tooling, and policies/procedures for features/characteristics that will be evaluated against requirements using other analysis techniques (e.g., analyze, verify). It can also be used to examine government property, equipment, or material.

(b) **Inspect.** Inspect is used to determine **deliverable product or service** conformity or compliance IAW the contract, specifications, data item description, or other defined requirements. Inspect surveillance technique applies to product or services provided to the government for acceptance and can be done in process or at final acceptance. Reference DCMA-MAN 2101-01, "Acceptance," and AS9163, "Certificate of Conformity," for additional information.

(c) **Interview.** Interview is used to gather information during personal interaction (virtual or in person) and/or evaluate the interviewee's knowledge and understanding of the subject.

(d) **Measure.** Measure is used to identify a quantity, percentage or dimension. It can be performed over time and is used to convert raw data into quantifiable, comparable information or metrics.



(e) **Monitor.** Monitor is used for periodic or ongoing observations/reviews of data or of a process. Data can be collected through direct observations, email, or data repositories, and then evaluated over time for adequacy and compliance.

(f) **Observe.** Observe is used for instances of noticing or perceiving.

(g) **Test.** Test is used to support product acceptance when DCMA is mandated/required to **conduct** all or portions of a contractually required test through physical operation of the product, system, subsystem, or test equipment. It also applies when DCMA records test data for the official test record.

(h) **Witness.** Witness is used for **100 percent oversight** of an entire event to confirm the occurrence of the event and/or adherence to requirements. This can be a very labor intensive technique. This technique can be required by a procuring activity or self-imposed when the risk is high and is not one of the preferred techniques for DCMA.

## (2) Surveillance Techniques for Data Analysis:

(a) **Analyze.** Analyze is used to review and evaluate collected, created, or observed data or information. Analyze is the “general” data analysis technique that can be used when other more specific analysis techniques (i.e., forecast, reconcile, trend, validate, or verify) do **not** apply. This technique can be used as a desktop review prior to meeting with the contractor. Analyze can also be done during or after a meeting with the contractor. The technique provides a basis for problem solving, explanation, interpretation, and decision making or to assess data for compliance or progress. This technique can include statistical methods.

(b) **Forecast.** Forecast is used to compare historical trends, issues and risks against future requirements to make a projection.

(c) **Reconcile.** Reconcile is used for comparison using related data sets obtained from different sources to determine accuracy and/or identify errors.

(d) **Trend.** Trend is used for evaluating a data set over time to assess the rate of change and trajectory.

(e) **Validate.** Validate is used to confirm or determine that a process, product or service meets the intended needs/results. It is a measure of effectiveness; it is not the same as verify.

(f) **Verify.** Verify is used to confirm or determine the level of conformity/compliance to requirements through objective evidence. Verify is often used after techniques such as analyze, examine, observe, or test.

f. Apply Surveillance Techniques. The surveillance event/activity will drive the surveillance techniques. The FS/ACO may use multiple surveillance techniques during a surveillance event. Techniques can be performed concurrently (e.g., interview can be done during an inspection).

One surveillance technique can support other techniques (e.g., examine can support analyze). Perform surveillance using the appropriate surveillance techniques. During the surveillance event, the techniques used may be adjusted as necessary.

**6.4. EXECUTE SURVEILLANCE PLAN.** Surveillance must be executed IAW the surveillance plan. If surveillance cannot be performed IAW the surveillance plan, the FS/ACO must document rationale as to why the surveillance cannot be performed as planned and, if appropriate, reschedule the planned surveillance in the Agency system of record.

## SECTION 7: DOCUMENT RESULTS

**7.1. DOCUMENT SURVEILLANCE RESULTS.** The FS/ACO must maintain documentation when executing each occurrence of a surveillance event or activity, to be included in a surveillance record when completed. Multiple individuals can consolidate surveillance documentation into one surveillance record for joint surveillance. The surveillance record must accurately and completely document completed surveillance.

a. Surveillance Record. The FS/ACO must document the following elements in a surveillance record:

- (1) FS/ACO Name(s). Name of person(s) who performed the surveillance.
- (2) Date. Surveillance event/activity completion date.
- (3) Contract Number(s) and/or Unique Identifier(s) as applicable.
- (4) Program Name(s) as applicable.
- (5) CAGE code(s). CAGE code(s) where surveillance was performed.
- (6) Surveillance Category(ies). Per Paragraph 5.3.c.
- (7) Evaluation Item. The contractor's product(s), system(s), and/or event(s) under evaluation.
- (8) Surveillance Requirement
- (9) Surveillance Event(s) and/or Activity(ies).
- (10) Contractual Requirement Reference. The specific requirement referenced in the contract that instructs the contractor to create a product or perform an action which the evaluation criteria will be based off, such as contract clause, regulatory reference, Data Item Description, contractor's procedure, and/or industry standard.
- (11) Evaluation Criteria. Evaluation criteria associated with process characteristics (e.g., ensure contractor's procedure is logical), product characteristics (e.g., ensure specification safety requirements trace back to system specification requirements), or progress evaluation criteria (e.g., ensure deliverables meet Critical Design Review entrance/exit criteria).
- (12) Surveillance Technique(s). Per Paragraph 6.3.d.
- (13) Document if surveillance was executed virtually.
- (14) Actual Hours. Total number of hours to risk assess, plan, execute and document completed surveillance event/activity.

(15) Results. Results based on surveillance performed (e.g., number of observations), including the objective evidence used to establish the level of confidence needed to determine compliance (e.g., deficiencies, CAR(s) issued, DC&A results, surveillance plan and risk recommendations) and conclusion, such as those provided in Figure 3.

b. Multifunctional Communication. The FS(s)/ACO(s) who performed the surveillance should communicate the results amongst the CMT/FS(s) in order to enhance multifunctional surveillance documentation/records, situational awareness and customer insight.

c. Record Storage. The FS/ACO will maintain the surveillance record in the approved Agency system of record.

d. Protect Data. The FS/ACO must ensure data is appropriately marked and protected to prevent unauthorized access or disclosure IAW DCMA-MAN 3301-08, "Information Security." Special Programs Command will follow Security Classification Guide and internal Standard Operating Procedures to safeguard Special Access Program and Sensitive Compartment Information data per DCMA Instruction 1091, "Management of Special Access Program (SAP) and Sensitive Compartment Information (SCI)."

## 7.2. REPORTING.

a. Multifunctional teams, or individuals, may be required to provide reports to internal or external customers. The report(s) must be accurate, relevant, and timely. Ensure all applicable requirements are followed to protect data. Reports can be submitted individually or consolidated as appropriate. All reports should be shared multi-functionally, as appropriate.

b. Two common forms for reporting are routine and ad hoc.

(1) Routine Report. A report created on a recurring basis to notify internal or external customers of impacts to contract cost, schedule, or technical performance. Recommended reporting timeframes/deadlines for specific reports can be found in the Functional or specific topic Guidebooks. Links to resource pages are provided on this Manual's Resource Page.

(2) Ad Hoc Report. A report created as needed or requested to notify internal or external customers of the impacts to cost, schedule, or technical performance.

c. For CBS reviews conducted by FS(s), the FS must communicate the results to the ACO. Deficiencies related to CBS are addressed in DCMA-MAN 2301-01, "Contractor Business Systems," and its Resource Page due to additional requirements associated with items such as disapproval of a business system and withholds.

d. For program support reports, DCMA-MAN 3101-01 provides additional requirements.

e. During the period of manufacturing or any event prior to acceptance, the FS or CMT members must perform production support and surveillance activities and/or specific activities

cited in the surveillance plan to monitor contract progress. In the event that issues or deficiencies are discovered that will impact delivery schedules, potential and actual slippages in contract delivery schedules will be reported to the procuring contracting officer, program integrator, industrial specialist or other points of contact requiring the information.

## SECTION 8: IDENTIFY AND ADDRESS CONTRACTOR PERFORMANCE DEFICIENCIES

### 8.1. IDENTIFY AND ADDRESS CONTRACTUAL DEFICIENCIES.

a. The FS/ACO documents a contractor performance deficiency using a CAR. A CAR is sent to a contractor where an item or process is deficient to the contractor's contractual obligation and a remedy is required. The need for a CARs is normally determined during FS/ACO surveillance activities. Open communication, both oral and written, is paramount, requiring communication vertically and laterally. The process may require communication outside of the chain of command to other functional areas, CMOs, OUs, customers, and contractors.

b. CMOs, Centers, and higher commands identifying deficiencies will utilize the structured corrective action process outlined herein to ensure the contractor addresses the deficiencies.

c. If fraud or counterfeit items are suspected, the fraud indicator must be reported to the applicable regional CIC Counsel IAW DCMA-MAN 2301-06. Any CARs associated with such suspicions will be coordinated with the applicable CIC Counsel prior to issuance.

d. Significant systemic deficiencies of financial costs, products, processes or recurring causes may be indicative of a breakdown in the contractor's applicable business and/or management systems or operations. When deficiencies are identified against a CBS, a CAR will be used to document the deficiency. Additional guidance related to the DCMA implementation of DFARS Subpart 242.70, Contractor Business Systems, 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\*
- QMS

e. Alternate methods for addressing deficiencies 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 deficiencies in a positive manner.

f. All Level II and higher CARs must be distributed to the ACO that oversees any related business system for the impacted CAGE Code. Upon receipt, the ACO should review the CAR to determine if the deficiencies identified impact a CBS.

g. When multiple Government contracts are impacted, deficiencies may need to be entered into the DCMA Government Industry Data Exchange Program (GIDEP) Forum where appropriate. Additional information on GIDEP is found in DCMA-MAN 2301-06.

h. Contracts requiring compliance with AS91XX series will follow the DCMA OASIS guidance found on this Manual's Resource Page when a major QMS nonconformity is identified, where applicable.

i. The FS/ACO must coordinate cross functionally prior to issuance of a CAR for a contractual requirement outside of the issuing Functional Area. Documentation of all applicable FS/ACO concurrences are uploaded to the Agency system of record, if required.

j. When DCMA is performing surveillance activities for a foreign entity at a continental United States contractor, the FS/ACO will issue a CAR for deficiencies discovered directly to the continental United States place of performance contractor. The DCMA FS/ACO will then send a notification of the deficiency(ies) to the foreign entity point of contact.

k. When a host nation/foreign entity is performing surveillance activities for DCMA, the host nation issues CARs for deficiencies discovered directly to the outside the continental United States place of performance contractor. Host nation CARs must be documented by the applicable DCMA CMO in the Agency system of record with the information provided by the host nation. The required minimum elements are listed in Paragraph 8.5.1.

l. CARs may contain information that the contractors consider to be trade secrets, confidential, and/or proprietary. The FS/ACO must not release a CAR to anyone outside the government without a careful analysis of the information to prevent improper release. 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 servicing Office of General Counsel when performing this analysis to determine if redaction of information is necessary prior to release.

## **8.2. CUSTOMER IDENTIFIED DEFICIENCY.**

a. When a deficiency is discovered by a customer and communicated to and verified by DCMA, the FS (or ACO for CBS) must initiate a CAR and manage corrective actions IAW this Manual, except when:

(1) The issue is being addressed as a Deficiency Report IAW DCMA-MAN 2301-06, or

(2) A CAR has been initiated by the customer directly to the contractor. The customer-initiated corrective action process can be monitored by the cognizant DCMA CMT, or other assigned FS, when practicable to gain additional insight for surveillance planning.

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

### **8.3. CONTRACTOR IDENTIFIED DEFICIENCY.**

a. When a contractor identifies a deficiency in its processes or products and takes appropriate and effective corrective action, the Government will not issue further corrective action unless it is later determined the contractor's corrective action is ineffective.

(1) Contractors will not be allowed to use self-identification of a deficiency to circumvent the CBS Process. During the performance of a CBS review (e.g., Contractor Purchasing System Review, Property, EVMS), when the contractor self-identifies a deficiency, the DCMA FS/ACO will issue a CAR for that deficiency.

(2) If a contractor's corrective action is ineffective and/or action is not taken to correct it by the implementation date, the FS/ACO will issue a CAR.

(3) Identified systemic deficiencies disclosed by a contractor may indicate a weakness in the contractor's root cause analysis (RCA) or corrective action process. The CAR is issued against their business or management systems.

b. When DCMA surveillance is accomplished concurrently with a contractor event, a CAR will be issued only after a contractor fails to identify and properly document the deficiency.

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 deficiency.

**8.4. DCMA IDENTIFIED DEFICIENCY.** The FS/ACO must issue appropriate level CARs to the contractor when a contractual deficiency is identified during surveillance events. When the Defense Contract Audit Agency (DCAA) identifies a noncompliance, the ACO must issue the appropriate level CAR.

### **8.5. CAR PROCESS**

a. The level of the CAR depends on the significance of the deficiency related to product, process, or system; and the level of contractor management engagement required. Only the ACO can make a determination of "significant" for a CBS deficiency

b. All CARs will be initiated, issued and tracked via the approved Agency system of record.

c. For Level I and Level II minor deficiencies where the root cause corrective action is known and acceptable to the FS/ACO, the CAR may be issued without requesting a written response/CAP from the contractor. The FS/ACO must document the root cause corrective action



in the Agency system of record. The FS/ACO will request a written response/CAP from the contractor if the FS/ACO is not satisfied, the deficiency has been appropriately addressed, or root cause is not known.

d. Only ACOs will approve and transmit level III & IV CARs. The CAR Communication Process on this Manual's resource page must be followed.

e. There are four CAR levels.

(1) A Level I CAR describes a deficiency on a **product** of a process(es) and is not a symptomatic breakdown of a process or system.

(2) A Level II CAR describes deficiencies in a contractor **process(es)** (e.g., purchasing, manufacturing, configuration management, Earned Value Management (EVM) processes) that are not a breakdown of a system, such as those listed in Paragraph 8.1.d, but are:

- (a) An escalation of Level I CARs indicating increasing process performance risk or
- (b) Multiple major or critical deficiencies on a product indicating a systemic issue throughout the process(es).

(3) A Level III CAR describes deficiencies in a contractor's **system** that are affecting a contract or program ability to meet cost, schedule or performance requirements and are:

- (a) A significant deficiency pursuant to DFARS 252.242-7005, "Contractor Business Systems" or
- (b) a failure to respond to a lower level CAR, or to remedy a recurring noncompliance.

(c) 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, or business management systems disapprovals, etc.

(4) A Level IV CAR is issued to the contractor's business segment or corporate management when the contractual deficiency is of a serious nature or when a Level III CAR has been ineffective. A Level IV CAR will result in a mandatory review of available contractual remedies, such as cost disallowance, reduction or suspension of payments, revocation of government assumption of risk of loss, CBS disapproval, or suspension of all product acceptance activities. Contractual remedies will be implemented IAW applicable FAR/DFARS clauses and/or DCMA-MANs. Action to suspend product acceptance will be accomplished via a Level IV CAR.

f. If the FS identifies a potentially significant deficiency related to a CBS, the FS will coordinate with the ACO responsible for making the determination of the acceptability of the CBS.

(1) In order for the ACO to make an initial determination whether a deficiency is “significant” (as defined in DFARS 252.242-7005(b)), the draft CAR and appropriate supporting documentation will be forwarded to the ACO.

(2) If the ACO determines the deficiency is not significant, the FS/ACO will pursue corrective action, as appropriate.

(3) For significant CBS deficiencies, CARs will be issued as a Level III or IV, as applicable. The CAR Communication Process will be followed and is found on this Manual’s Resource Page.

g. All CARs will be coordinated, approved, and distributed IAW Table 1, “CAR Coordination, Approval, and Distribution Matrix.”

**Table 1. Corrective Action Request Coordination, Approval, and Distribution Matrix**

CAR Level	Pre-Release Coordination*	Approval For Release & CAP Approval*	Pre-Release Notification	Issued To Contractor Management Level (recommended)	Post-Release Distribution**
I	N/A	FS/ACO	N/A	Lowest management responsible to correct defect	N/A
II	Other functions when impacted. Additional coordination prescribed locally	FS/ACO	Other functions when impacted. Additional coordination prescribed locally	Functional level responsible for Corrective Action	ACO/DACO/CACO; the originator of any QA Letters of Instruction or Letters of Delegation; any affected CMO, center, or command functions; and, for financial-related deficiencies, DCAA
III	CMO, center, or higher command Commander/ Director, Legal Counsel, Contract Integrity Center (CIC), applicable Centers (e.g., Property), etc., and applicable customer(s)	ACO/DACO/ CACO	OU Command Heads. Agency Director.	Top-level manager at business segment or corporate manager	CMO, center, or higher command Commander/Director, Component Heads, CIC, any affected DCMA Centers, affected customers, and DCAA representative. Upload to the DCMA GIDEP Forum***
IV	CMO, center, or higher command Commander/ Director, Legal Counsel, CIC, applicable Centers (e.g. Property), and applicable Customer(s)	ACO/DACO/ CACO	OU Command. Agency Director	Top level manager at business segment or corporate manager	CMO, center, or higher command Commander/Director, Component Heads, CIC, any affected DCMA Centers, affected customers, and DCAA representative. Upload to the DCMA GIDEP Forum***
* For CBS, follow the CBS Guidance for CAR Approval and CAP Acceptance. ** If applicable *** Link on this Manual’s Resource Page					

h. The FS/ACO must classify all **product** deficiencies as minor, major, critical nonconformance, as defined in the glossary and FAR Part 46, or as unknown. The classification may be outlined in the contract or other contractual documents (Technical Data Package, Deliverable Contractor Plan, Statement of Work, etc.).

i. A CAR issued for nonconforming product or service being tendered to the government for acceptance under FAR Part 12 contracts for commercial items (i.e., contract includes FAR 52.212-4 or Contract Terms and Conditions -- Commercial Items, in lieu of other inspection/acceptance clauses) can only require the contractor to identify actions taken to correct the specific product nonconformity.

j. The FS/ACO will include supporting artifacts documenting a deficiency associated with the CAR when the capability exists and is feasible to do so. For example, a high resolution digital photograph illustrating a deficient condition or a screen shot of the data anomalies can be helpful in the corrective action process.

k. The following minimum CAR elements must be included when DCMA originates a CAR:

- Date deficiency observed
- CAR Level
- Name of the Prime Contractor(s)
- Location of Prime Contractor(s)
- Point of Contact at Prime Contractor(s)
- CAGE Prime Contractor
- Name of Subcontractor (if applicable)
- Location of Subcontractor (if applicable)
- Point of Contact of Subcontractor (if applicable)
- CAGE of Subcontractor (if applicable)
- Program(s) (if applicable)
- Prime Contract Number(s)/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 of the contract numbers required
  - Prime contractor's Purchase order or Subcontract number to subcontractor (if applicable)
- Contractual requirement reference(s)
- Deficiency. Identification of CSI if the deficiency is associated with CSI critical characteristics/process
- Classification
  - CARs related to product must be classified as major, minor, critical, or unknown
  - If a non-compliance is entered into OASIS it must be classified as a major

- Level II or above CARs related to QMS must be classified as major or minor
- Date CAR issued to contractor
- Date CAR approved (if applicable)
- Due date for contractor's response (up to 45 calendar days for initial response)
- 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.")

l. Host nation CARs must be documented by the applicable DCMA CMO in the Agency System of Record with the information provided by the host nation. The FS will enter the following minimum CAR elements when documenting the CAR:

- Prime contractor name and CAGE or Unique Entity Identifier
- Subcontractor name and CAGE or Unique Entity Identifier, if applicable
- Deficiency date
- Deficiency description
- Repeat finding

m. A written notification for CAR Communications Process will be submitted by the authoring organization's leadership to the DCMA Director via the chain of command using the CAR Communication Process prior to release of any Level III or IV CARs. This notification must provide an executive-level synopsis of the underlying CAR and deficiency. With the exception of the Director, this is just notification; otherwise, approval is per Paragraph 8.5.g.

n. The ACO will issue a transmittal letter for Level III and IV CARs to the Contractor on DCMA letterhead. A transmittal letter from the CMO, center, higher level command, or Headquarters (HQ) Commander/Director to the contractor's senior leadership, communicating the significance of the CAR may be provided as warranted to accompany the CAR.

o. Content exceptions of information designated No Foreign Nationals or classified must not be entered into the unclassified approved Agency system of record.

p. The ACO, at any point in the CAR process, retains the right to exercise, as appropriate, any contractual rights or remedies otherwise available to the government IAW applicable regulations (e.g., consideration, withholds).

q. If it is not in the best interest of the Government to continue surveillance activities during oversight of contractor performance, the use of selective discontinuance of government surveillance may be exercised. For example, when repeated deficiencies are identified, the FS/ACO may recommend discontinuing surveillance in the area of concern until the contractor has provided an acceptable corrective action. The ACO must notify the

contractor that the government is discontinuing surveillance with a Level III CAR.

**8.6. SUBCONTRACT LEVEL DEFICIENCY.** It is the prime contractor's responsibility to manage its supply chain and DCMA's review of subcontracts will normally be limited to evaluating the prime contractor's management of its subcontracts. Exceptions are outlined below. Prime contractors have wide latitude as to how they control their supply chain and are ultimately responsible for execution of contract requirements. DCMA-MAN 2101-04 identifies the limited situations where DCMA surveillance of subcontractors is permitted.

a. Addressing subcontractor deficiencies where DCMA has been delegated surveillance and administers the prime contract.

(1) The "Corrective Action Process for Subcontract Level Deficiency" Guidebook and its companion document "CAR Process Map" on this Manual's Resource Page address the process for notifying the FS/ACO with cognizance over a prime contract of any subcontractor deficiency, as well as the various subcontractor tier levels. The relevant FSs/ACOs should refer to the procedures in the Guidebook in addition to the procedures below.

(2) When deficiencies are identified at the subcontract level, the FS/ACO delegated surveillance oversight, or "delegatee," will send a notification of the deficiency from the subcontractor location to the delegator FS/ACO administering the prime contract. The delegator (prime) FS/ACO will acknowledge the notification within 5 business days and consider the information in the notification along with other data to determine the appropriate level of CAR (Level I, II, III or IV) to be issued to the prime contractor. The delegator FS/ACO should also evaluate whether to add an additional deficiency for failure to control sub-contractor to the CAR associated with sub-location notification deficiencies. Or, based on additional non-compliance data (analysis) of the prime contractors sub-location controls, the FS may decide to issue the prime contractor a separate CAR for failure to control sub-contractor.

(a) The FS/ACO issuing the CAR will ensure the CAR is redacted as needed to prevent disclosure of subcontractor proprietary information.

(b) If the subcontractor has prime contracts associated with the deficiency, a CAR must be issued directly to the subcontractor pursuant to its prime contracts by the delegatee FS/ACO, in addition to the requirement in Paragraph 8.6.a.(2).

(c) If the deficiency is found at an entity that is part of the same company as the prime, but the work is performed by a different division or business unit of the prime contractor (for example, through an Inter/Intra-Divisional Work Transfer), the CAR will be issued by the FS/ACO with cognizance over the business unit where the deficiency occurred.

(3) The scenarios listed in Paragraph 8.6.a.(2) apply at all tiers of a contractor's supply chain. The CAR and or notification(s) will be sent to and through each of the delegator(s) for issuance to the Prime Contractor.

b. Addressing subcontractor deficiencies where DCMA has been delegated surveillance but does not administer the prime contract.

(1) The FS delegatee or ACO will follow the notification process set out in the delegation of subcontract surveillance agreement to notify the contracting officer of any subcontractor deficiency.

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

c. For Canadian Commercial Corporation (CAGE 98247) contracts under DCMA Americas, the contractor with the prime place of performance can be treated as the prime contractor.

## **8.7. 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. Communication with affected customers by the CMO/Center/Higher Command is critical, especially when significant deficiencies are identified. These communications must advise the customer of DCMA actions to address the specific instances, underlying root causes, and potential impacts. Consideration should be given to notifying the procuring contracting officer at levels lower than instances of “significant deficiencies” as a lower level CAR can affect the contractor's delivery schedule.

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

**8.8. CONTRACTOR CORRECTIVE ACTION.** 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, a follow-up notification allowing 10 additional calendar days will be issued. If the contractor fails to respond within the 10 additional calendar days, the FS/ACO may escalate the CAR to the next level.

## **8.9. REVIEWING, ACCEPTING OR REJECTING A CONTRACTOR’S CAP.**

- a. The required criteria a contractor’s response/CAP must contain:
- Root cause of the deficiency, if required
  - Actions taken to correct the current specific deficiency
  - Corrective Action taken or planned to eliminate deficiency
  - Action taken to prevent recurrence of the deficiency

- What controls have been implemented to ensure financial/costs/products/services to be provided to the government for acceptance are not deficient
- Target date(s) for implementation of planned 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 contractor's proposed CAP in the CAR response will be reviewed to ensure each cited deficiency in the CAR is addressed, the RCA is adequate, and planned corrective actions are determined before acceptance. For level III or IV CARs, ACOs will provide the approval or rejection decision.

c. When a CAP does not adequately address the applicable requirements cited in Paragraph 8.9.a, the response will be rejected. The complexity of the contractor's response may warrant an in-person discussion of the concerns. The rejection will be given in writing and will allow the contractor a maximum of 10 calendar days to submit a revised CAP. The written rejection will address the specific part(s) of the CAP deemed inadequate and describe the basis for the inadequacy determination.

d. If the contractor does not respond by the revised CAP due date or the resubmitted response is still insufficient, the CAR will be escalated to the next higher CAR level and if necessary, be reissued to the next level of contractor leadership. The process and timeline will start over IAW Paragraph 8.12. If the CMO, center, or higher command's leadership are confident the contractor will take adequate corrective action, escalation may not be required.

e. A rejection of the CAP will be given in writing and will allow the contractor a maximum of 10 calendar days to submit a revised CAP. If the CAP is rejected two times, the CAR should be escalated. If the CAR is a level III, proceed with other contractual remedies, as appropriate.

f. If a CAR was issued in error, then the CAR will be withdrawn, closed and an explanation added in the Agency system of record.

g. The ACO will issue all CARs escalated to level III or IV.

#### **8.10. VERIFYING A CONTRACTOR'S CORRECTIVE ACTION.**

a. The FS/ACO will verify the contractor's implementation of corrective and preventive actions.

b. The FS/ACO documents the results of the verification review, including the date completed within the approved Agency system of record.

c. When corrective actions are not implemented IAW the accepted CAP, either escalate the CAR IAW Paragraph 8.12 or issue an additional CAR for failure to implement corrective action, with a reference to the original CAR number.

#### **8.11. VALIDATING A CONTRACTOR'S CORRECTIVE ACTION.**

a. The FS/ACO will perform validation after the contractor has completed the corrective actions to ensure full resolution of the deficiency.

b. The FS/CO will establish a suspense date for the validation review. The suspense date should follow a suitable corrective and preventive action stabilization period. The validation review will ensure the implementation is effective in preventing recurrence of the deficiency. Follow-up actions may include any or all of the following: process evaluation, deliverable product evaluation, or analysis on relevant elements.

c. When objective evidence establishes the contractor's corrective action is ineffective, the FS/ACO will reject the contractor's corrective action response and consider escalation of the CAR level. The rejection notification letter will be in writing and include evidence of the inadequacy.

d. The FS/ACO documents the results of the follow-up review, including the date completed within the approved Agency system of record.

#### **8.12. ESCALATING A CORRECTIVE ACTION REQUEST TO THE NEXT HIGHER LEVEL.**

a. A CAR may be escalated to the next higher level when a contractor is unwilling or unable to implement effective corrective action.

b. When it becomes necessary to escalate a CAR, the FS/ACO will use the Agency system of record to document the date and rationale why the CAR requires escalation.

c. The FS/ACO must complete the CAR Communication Process prior to issuing the newly escalated Level III or IV CAR. The contractor will be given a maximum 10-calendar day suspense to respond and provide a CAP. Refer to DCMA-MAN 2301-01 when escalating a CAR for a business system. Examples when a CAR may be escalated include:

- Multiple Level I or II CARs issued within 6 months indicating a breakdown or systemic issue of one or more contractor's financial costs, products, processes or systems
- Contractor is nonresponsive to a CAR
- Multiple rejections of the contractor's response for the same CAR
- Recurring history of CAR response rejections indicating a breakdown of the contractor's corrective action process
- Contractor fails to implement corrective actions outlined in a CAR response
- Multiple occurrences of ineffective contractor corrective actions

d. If the CMO, Center, or command's leadership is confident the contractor will take adequate corrective action without escalation, then an explanation will be documented in the approved Agency system of record and a new 10 calendar day suspense established.



### **8.13. CLOSING A CAR.**

a. When the FS/ACO is satisfied the contractor's corrective actions are appropriate to prevent recurrence of the deficiency, the corrective action details will be recorded on the corrective action record including the causes and any follow-up actions performed. When a Level I or II CAR is issued without a request for RCA, the FS/ACO will record the corrective action details on the corrective action record including the actions taken by the contractor.

b. The FS/ACO must close the CARs within 15 calendar days of completion of validation.

c. If validation cannot be performed within 90 days of completed DCMA verification, the CAR may be closed or extended with an explanation. If ineffective corrective action results in a repeat discrepancy, the FS/ACO may either escalate the CAR IAW Paragraph 8.12 or issue an additional CAR for failure to implement corrective action, with a reference to the original CAR number.

d. The FS/ACO will notify the contractor when the CAR is considered closed.

e. 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.

**8.14. INFLUENCING CONTRACTOR PERFORMANCE.** Contractor deficiencies documented with CARs and the effectiveness of the contractor's corrective actions taken or proposed may be considered when providing input or comment on contractor performance for Contractor Performance Assessment Report or award fee purposes.

**8.15. RECOUPING OF REINSPECTION COSTS.** Where statutes, regulations and/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 the FS's inspection when inspection is requested. The FS will provide supporting data and recommend the ACO take necessary action for recoupment IAW DCMA-MAN 2301-06 and DCMA-MAN 2101-02, "Payments."

## SECTION 9: EVALUATE SURVEILLANCE PLANS

a. To facilitate DC&A the FS must review the surveillance plan every 12 months, at a minimum. The results of the review must be documented in the Agency system of record. If changes to the surveillance plan are required, the surveillance plan must be updated.

b. Data results may show trends in the following areas and may indicate the need to review the surveillance plan:

- Customer complaints traceable to a deficiency in the contractor's operation
- Repetitive deficiencies
- Inadequate, noncompliant, or ineffective processes/procedures/command media
- Consistent satisfactory or better contractor performance
- Schedule delays or missed milestones
- Changes in risk factors (e.g., financial, cost, manpower, tools, command media, processes, materials)

c. Based on the results of surveillance, such as conclusions from DC&A, the FS/ACO will determine whether to adjust risk or surveillance, at a minimum annually. Other factors that may require changing surveillance are contract modifications, customer required surveillance changes, or significant changes in any of the contractor's processes, procedures, or operations.

(1) Share adjustments to surveillance plans with other CMT and/or FS members, which will enhance the multifunctional approach and potentially reduce interruptions of the contractor's processes.

(2) When customer required surveillance events are imposed and analysis concludes that surveillance may be reduced (sample size or frequency), the CMT and/or FS will inform the customer in writing. If there is a written agreement to perform the mandatory surveillance events, the CMT and/or FS will work with the customer to amend the agreement. The quantifiable analysis results will be kept as a record to support this risk-based decision made by the CMT and/or FS.

(3) The FS/ACO will continue surveillance until all planned surveillance events or the contract is completed.

## GLOSSARY

### G.1. DEFINITIONS.

**Acceptable Quality Limit.** A sampling method designed to decide whether to accept or reject a group of units of manufactured goods. Specifically, it allows a determination to be made if a group of units meets the quality standards necessary for acceptance without having to test and/or inspect 100 percent of the units.

**Acceptance.** This is an inherently government act, performed by a government employee, to accept goods or services on behalf of the government. 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 (per DCMA-MAN 2101-01).

**ACO.** A warranted contracting officer with the written authority to administer contracts and to monitor, evaluate and document surveillance events and activities. For purposes of this Manual, ACO includes DACOs and CACOs.

**Actual Hours.** Total number of hours to assess risk, plan, execute and document completed surveillance event/activity.

**Adequacy.** The ability to satisfy a requirement for a particular purpose.

**Adequacy Evaluation.** Address whether or not the command media is current, accurate, complete, and capable to satisfy a requirement or meet the need/intent of a requirement.

**Agency System of Record.** Generic description of any documentation storage (e.g., eTools, standalone databases) that is approved for use by the Agency.

**Allocated Hours.** The planned time in hours to start and complete one occurrence of a scheduled item in the surveillance schedule. Allocated hours should include preparation, execution and documentation. If multiple FSs/ACOs plan to execute a joint occurrence of a surveillance event, the hours would be the total hours for the execution, not per FS/ACO.

**Analyze.** Is a **Surveillance Technique** used to review and evaluate collected, created, or observed data or information. Analyze is the “general” data analysis technique that can be used when other more specific analysis techniques (i.e., forecast, reconcile, trend, validate, or verify) do not apply. This technique can be used as a desktop review prior to meeting with the contractor. Analyze can also be done during or after a meeting with the contractor. The technique provides a basis for problem solving, explanation, interpretation, and decision making, or to assess data for compliance or progress. This technique can include statistical methods.

**Approval.** The act of officially accepting or allowing, such as approving the submission of a contractor’s CAP.

**Artifact.** A process output or work product required per contractor's policies/procedures or a subset of contractor data (e.g., screen shot). Artifacts may serve as evidence to demonstrate compliance or noncompliance.

**Assess.** A systematic evaluation process of collecting and analyzing data to determine the current, historical, or projected compliance of an organization to a standard.

**Assessing Risk.** Is an iterative approach repeated during any stage of surveillance, based on all available risk data.

**Baseline.** A fixed point of reference used for comparison purposes. A baseline is a risk-based assessment established using objectives, targets, or requirements that exist for what is being measured; or may be based on the current performance of a product or process characteristics. Baselines are typically used to determine whether improvement is both desirable and feasible. Refer to functional guidance for any unique guidance in risk rating, prioritizing and executing baseline evaluations into the surveillance plan.

**CAR.** A request for a contractor to take action to eliminate the cause of a detected deficiency or other undesirable condition. CARs are issued to the contractor management level responsible for correcting the cited deficiency. There are four levels:

- **Level I:** describes a deficiency on a **product** of a process(es) and is not a symptomatic breakdown of a process or system.
- **Level II:** describes deficiencies in a contractor **process(es)** (e.g., purchasing, configuration management, EVM processes) that are not a breakdown of a system.
- **Level III:** A Level III CAR describes major deficiencies in a **system** affecting contract or program ability to meet cost, schedule or performance requirements; a significant deficiency pursuant to DFARS 252.242-7005, "Contractor Business Systems" or a failure to respond to a lower level CAR, or to remedy recurring noncompliance.
- **Level IV:** A Level IV CAR is issued to the contractor's segment or corporate management when the contractual deficiency is of a serious nature or when a Level III CAR has been ineffective.

**CBS.** The six business systems are defined in DFARS: Accounting System Administration (DFARS 252.242-7006), Cost Estimating System Requirements (DFARS 252.215-7002), Material Management and Accounting System (DFARS 252.242-7004), EVMS (DFARS 252.234-7002), Purchasing System (DFARS 252.244-7001), and Contractor Property Management System Administration (DFARS 252.245-7003).

**Centers.** The role of DCMA Centers is to perform a specialized mission requirement and consolidate unique DCMA resources for the effective and efficient accomplishment of the DCMA mission. DCMA Centers serve at the HQ level and are stand-alone functional organizations with command, control, and direct supervision provided by a designated HQ Executive Director or Agency Director. The specific Center mission and functions are defined in the Concept of Operations. (DCMA-MAN 4501-03, "Organization Structure, Mission and Functions").

**CMT.** The CMO CMT may consist of two or more functional areas such as an ACO, QA Specialist, QA Engineer, Engineer, Industrial Specialist, Property, Contract Safety, Government Flight Representative, Center Personnel etc. When a CMT is mentioned in this Manual, it may include PST/Support Program Support Team.

**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.

**Compliance.** An affirmative condition that the contractor is adhering and conforming to their policies and procedures and/or to the contractual requirements.

**Conclusion.** A decision made after completing one or multiple surveillance techniques. The conclusion provides information used to adjust surveillance, such as update risk assessment or surveillance frequency/intensity, influence contractor performance and report as appropriate.

**Concurrence.** Agreement to terms or conditions.

**Conformity.** Fulfilment of a requirement. Being IAW contractual or statutory obligations or requirements.

**Consequence.** An outcome of an event affecting objectives. An event can lead to a range of consequences. A consequence can be certain or uncertain and can have positive or negative effects on objectives. Consequences can be expressed qualitatively or quantitatively. (Sometimes called impact and severity.)

**Data.** Is the plural for datum and is 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.

**DC&A.** All surveillance activities associated with the collection, evaluation and use of contractor, government and customer/user data, and other applicable data elements, using appropriate techniques to identify risk and contractor systemic deficiencies, communicate cost and schedule concerns to the customer; and/or adjust surveillance plans.

**Deficiency.** A noncompliant or nonconforming condition. Deficiency is used throughout this document to represent departures from product requirements as well as procedural requirements.

**Delegatee CAGE.** The CAGE Code where the surveillance activity is delegated to and the surveillance will be executed.

**Delegator CAGE.** The CAGE Code from which the surveillance activity was delegated.

**Deliverable Product.** A line item that is specified in the contract and requires acceptance by the Government. These items may include hardware, software, or CDRLs.

**Deliverable Product Evaluation.** A **Surveillance Category** used to determine a deliverable product's compliance to contractual requirements.

**Deliverable Service.** An activity to provide time, effort, and/or expertise that is specified in the contract and requires acceptance by the Government. Examples could include janitorial services, programming, repair/refurbishment of equipment, gathering documented information, technical services etc.

**Deliverable Service Evaluation.** A **Surveillance Category** used to determine a deliverable services' compliance to contractual requirement.

**Examine.** Is a **Surveillance Technique** used to review **non-deliverable** contractor process outputs/artifacts, material, equipment, tooling, policies/procedures for features/characteristics that will be evaluated against requirements using other analysis techniques (e.g., analyze, verify). It can also be used to examine government property, equipment, or material. Examples include examining Engineering Change Proposals, logs, reports, material, special tooling, or a configuration management procedure.

**Forecast.** Is a **Surveillance Technique** used to compare historical trends, issues and risks against future requirements to make a projection.

**Frequency.** The rate at which something occurs or is repeated over a particular period of time, such as surveillance frequency of a particular event and/or activity will occur monthly, weekly, or daily.

**FS.** (1) Any DCMA personnel executing contract administration services within any career field, excluding the ACO. (2) FSs are personnel assigned to perform various tasks or functions in support of the Agency's mission (e.g., cost monitor, engineer, industrial specialist, IT specialist, packaging, QA, contract administrator, property, purchasing, earned value, or transportation).

**Guidebooks.** Guidebooks are controlled, approved, and maintained by the functional proponent and consist of detailed guidance required to maintain consistency across the Agency for process execution and/or data collection of various processes for a given function or functions.

**Higher Level Quality Requirement:** When FAR 52.246-11 is on contract, the contract must specify, by name, which "higher-level quality standard" the contractor must meet. Examples of standards that are typically associated with "higher-level" quality include Aerospace Standards AS9100, AS9103, AS6500, or International Organization for Standardization (ISO) 9001, "Quality management systems – Requirements."

**Inherent Risk.** The probability of loss arising out of circumstances or existing in an environment, in the absence of any action to control or modify the circumstances. Derived from contract requirements and factors inherent to a contractor's business profile. This risk has three main areas: contractor profile, contract requirements, and government/customer.

**Insight.** Requires the monitoring of contractor quality data and Government-identified metrics and contracted milestones, and may involve the review of contractor work procedures and records. Insight is a continuum that can range from low intensity, such as reviewing quarterly reports, to high intensity, such as performing surveys and reviews.

**Inspect.** Is a **Surveillance Technique** used to determine deliverable product or service conformity or compliance IAW the contract, specifications, Data Item Description, or other defined requirements. Inspect surveillance technique applies to product or services provided to the government for acceptance and can be done in process or at final acceptance.

**Intensity.** The degree or scope to which a Surveillance Event/Activity will be. Further details and examples can be found on this Manual's resource page.

**Interview.** Is a **Surveillance Technique** used to gather information during personal interaction (virtual or in person) and/or evaluate the interviewee's knowledge and understanding of the subject. Examples include interviewing contractor employee(s) about a process, product, service, or output.

**Issuance.** A documented instruction, publication, standard or direction intended for use by Agency employees.

**Joint Surveillance.** Is surveillance performed as a team with either the contractor, other government entities and/or in a multifunctional manner within DCMA.

**KCR.** Contract requirements defined by function that drive surveillance events.

**Likelihood.** The assessed probability that an event will occur given existing conditions.

**Location CAGE.** The CAGE Code associated with where the surveillance Event or Activity is executed.

**Measure.** Is a **Surveillance Technique** used to create a metric (e.g., quantity, percentage, standard deviation). It can be performed over time and it is used to convert raw data into quantifiable and comparable information or metrics. Examples include measuring a percent progress to schedule; measuring progress against goals; and measuring the quality/timeliness of CDRL submissions, corrective actions, action items, and other requirements.

**Monitor.** Is a **Surveillance Technique** used for periodic or ongoing observations/reviews of data or of a process. Data can be collected through direct observations, email, or data repositories, and then evaluated over time for adequacy and compliance. Examples include monitoring delivery performance, financial and cost, test process, Risk Review Board process, Change Control Board process, Integrated Product Team progress, milestone event progress, or DCMA contracted services.

**Multifunctional Team.** (1) Group composed of members from two or more departments or functional areas working together to solve a problem, handle a situation or perform surveillance that requires capabilities, knowledge, and training not available from any one source. (2) A group composed of members with varied but complimentary experience, qualifications, and skills that contribute to the achievement of the organization's specific objectives.

**Nonconformance, Critical.** A nonconformance likely to result in hazardous or unsafe conditions for individuals using, maintaining, or depending upon the supplies or services; or is likely to prevent performance of a vital agency mission.

**Nonconformance, Major.** A nonconformance, other than critical, is 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.

**Nonconformance, Minor.** A nonconformance not likely to materially reduce the usability of the supplies or services for their intended purpose, or is a departure from established standards having little bearing on the effective use or operation of the supplies or services.

**OASIS.** An online system which maintains a list of suppliers who are certified/registered under the International Aerospace Quality Group rules to be in compliance with the aerospace quality management system requirements (9100 series).

**Objective Evidence.** Is proof sufficient to support the reasonable belief that a particular act or omission has occurred. It includes records that demonstrate noncompliance or compliance to contractual or policy/procedure requirements.

**Observe.** Is a **Surveillance Technique** used for instances of noticing or perceiving. Examples include observing inventory, nonconforming material storage/segregation, real-time review of contractor information systems, and tool control.

**OU.** DCMA OUs (International Command, Special Programs Command, Eastern Regional Command, Central Regional Command, Western Regional Command, Aircraft Integrated Maintenance Operations, Cost and Pricing Regional Command, Business Operations Center, Contract Lifecycle Management Center, EVMS Center, Logistic Center, and Safety Center) serve at the operational level and are responsible for contract administration functions within their area of responsibility or as aligned by other means. In addition, the OUs are responsible for resource management and budget planning and execution for aligned subordinate organizations. OUs also provide operational direction, guidance, mission assistance and staff support to the CMOs. The OUs mission and functions are defined in the Concept of Operations. (DCMA-MAN 4501-03).

**PDCA.** The PDCA cycle is a four-step model for carrying out change.

**Plan Surveillance Process.** An iterative process that begins with the risk rated surveillance requirement list. Surveillance Planning consists of three steps: prioritize surveillance



requirements, align surveillance activities with the surveillance requirements and schedule surveillance activities.

**Planning.** Is the act of creating “a detailed formulation of a course of action” (a plan) for how something will be achieved. That is, planning describes the intention to do something, coupled with a proposal or strategy for getting it done. Planning includes many things outside of scheduling (such as deciding where to do work, tools and processes that will be used, skillset needed, etc.).

**Process Control Measurement.** Planned measurements conducted on in-line product or service processing equipment and/or materials to assure conformance to pre-established standards.

**Process Evaluation Baseline.** A baseline is established after a comprehensive end-to-end evaluation of the entire process. It aids DCMA in obtaining a deeper understanding of the entire process. This baseline will drive the scope of future surveillance, which may be performed on a subset of the process based on risk. This baseline must be considered/performed the first time a process is evaluated based on inherent risk or after major process changes have occurred.

**Process Output.** A work product or artifact that is generated based on requirement(s) of a process, policies/procedures, or contract.

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

**Procurement Instrument.** Refers to a solicitation, contract, agreement, order and other related documents used to procure supplies and services.

**Program Name.** The program name as listed in the Agency system of record.

**Product.** Goods, services, or information that are the outputs of any process that meets the needs of a customer.

**Progress Evaluation.** A **Surveillance Category** used to evaluate actual progress achieved as compared to the contractual schedule or milestone requirement. The actual progress is verified through summarizing completed work, in-process work, materials received, and milestones completed (as applicable). This progress determination can be used for assessing accuracy of the progress payment requests, performance based payments, or similar requests for payment. It may also be used for evaluating contractor status and/or progress.

**PST.** The PST is an integrated multifunctional team lead by a Program Integrator that supports a major program. The PST may include FSs from contract administration, EVM, QA, engineering, software, manufacturing and production, as well as other functions.

**RCA.** A method of problem solving used for identifying the root causes of faults or problems.

**Reconcile.** A **Surveillance Technique** is used for item examination or comparison using related data sets obtained from different sources to determine accuracy and/or identify errors. Examples include reconciling contractor on time delivery (OTD) records with DCMA OTD records, property records to property serial numbers, drawing characteristics to the product configuration, and actual costs to contractor books and records.

**Review.** Determination of the suitability, adequacy or effectiveness of an object to achieve established objectives. Example: Management review, design and development review, review of customer requirements, review of corrective action, and peer review. Review can also include the determination of efficiency.

**Risk.** (1) A measure of future uncertainties in achieving an organization's objectives, requirements and/or goals within defined cost, schedule and performance constraints. It has three components: a future root cause, a likelihood assessed at the present time of that future root cause occurring, and the consequence of that future occurrence. (2) Potential future event or condition that may have a negative effect on achieving program objectives for cost, schedule, and performance.

**Risk Assessment.** Includes the evaluation of risks, issues, and opportunities to determine whether a contractual requirement will be satisfied.

**Risk Rating.** The assigned level of risk used to define the severity of a risk event or activity.

**Schedule Surveillance Activities.** An iterative process to plan and document time-phased activities based on surveillance strategies and available resources.

**Scheduling.** The act of deciding when something will be done, and allocating the time for it out of a FS's schedule. Scheduling can be considered a subset of planning.

**Significant Deficiency.** In the case of a CBS, Significant Deficiency means a shortcoming in the system that materially affects the ability of officials of the DoD to rely upon information produced by the system that is needed for management purposes (DFARS 252.242-7005).

**Support Program Support Team.** An integrated multifunctional team led by a Support Program Integrator that supports a significant element, subcontract, or subsystem of a major acquisition program.

**Surveillance.** A multifunctional effort using DC&A 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.

**Surveillance Activity.** The additional details describing a given event.

**Surveillance Category.** An overarching grouping of surveillance evaluations with similar objectives. All types of surveillance fall within one or more of the four overarching surveillance categories:

- System/Process Evaluation
- Progress Evaluation
- Deliverable Product Evaluation
- Deliverable Service Evaluation

**Surveillance Event.** Describes contractors' process(es) that require oversight due to risk assessment. Example: Welding, Configuration Management, Functional Testing.

**Surveillance Plan.** (1) A documented strategy for surveillance including identified risks, planned surveillance activities, and schedule for execution of planned surveillance activities. (2) Establishes the methodology the government will use to monitor and evaluate contractor performance and ensure the objectives of the contract are met. (3) The surveillance plan is the focal point for surveillance activities. The surveillance plan lays out the strategy and tactics for surveying contractor financial costs/operations/processes/products. The plan is a comprehensive document representing an integrated product team approach addressing multiple functions such as safety, engineering, manufacturing and QA, etc.

**System/Process Evaluation.** A **Surveillance Category** used to evaluate interrelated or interacting elements or activities of a system (e.g., CBS, higher level quality system, management system, control of nonconforming material) or process.

**System/Process Risk.** Risk derived from the contractor's management system(s) design and actual performance. This risk has four main areas: Management System, Management Responsibility, Resource Management, and Product/Service Realization (Implementation).

**Surveillance Record.** Documentation providing evidence of past surveillance, particularly an account of an act or occurrence and captured in writing or some other permanent form of record. Records may include surveillance checklist, schedules, and copies of documentation (command media) for financial, products or services that are provided, and are used to make a decision or take action.

**Surveillance Requirements.** KCRs and other Agency-accepted work requirements (e.g. External Customer Letter of Delegations, General Services Administration contracts, MOAs, etc.) that may require surveillance.

**Surveillance Schedule.** A record of surveillance events and activities included in the surveillance plan that identifies when and where surveillance will be conducted.

**Surveillance Strategy.** A group of scheduled surveillance activities associated with each other based on one of four levels:

- Contract Surveillance Strategy - A group of scheduled activities associated with one contract
- Program Surveillance Strategy - A group of scheduled activities associated with multiple contracts in one program
- Facility Surveillance Strategy - A group of scheduled activities associated with multiple contracts tied to one or more programs at a facility.
- Multi-Facility Strategy - A group of scheduled activities associated with contract performance shared between different contractor divisions/locations
- CBS Surveillance - Surveillance required on a single business unit (CAGE Code(s)) based on how each individual CBS is being applied by the contractor on Government contract(s)

**Surveillance Techniques.** Are actions (verbs) that describe collecting and/or assessing data. There are 14 surveillance techniques. Multiple surveillance techniques can be used during a surveillance event. Some techniques can be performed concurrently (e.g., interview can be done during an inspection). Also, one surveillance technique can support other techniques (e.g., examine can support analyze). Surveillance techniques must be identified no later than the Initiate Surveillance Activities step and can be adjusted as necessary. The 14 surveillance techniques are:

- Analyze
- Examine
- Forecast
- Inspect
- Interview
- Measure
- Monitor
- Observe
- Reconcile
- Test
- Trend
- Validate
- Verify
- Witness

**System.** 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 CBS, quality systems, engineering systems, and other management systems.

**Task.** Is an action. One of the more common work activities with a clearly defined beginning and ending is the task. A task is “a piece of work to be done.” Task descriptions are often referred to as procedures.

**Test.** A **Surveillance Technique** that supports product acceptance when DCMA is mandated/required to **conduct** all or portions of a contractually required test through physical operation of the product, system, subsystem, or test equipment. It also applies when DCMA records test data for the official test record. Examples include DCMA operating test equipment, performing a flight or driving test, or recording test data during the test. The test technique is not the same as monitoring or witnessing a test.

**Travel Time.** Time spent traveling to and from the location to perform surveillance, also known as windshield time.

**Trend.** A **Surveillance Technique** used for evaluating a data set over time to assess the rate of change and trajectory. Examples include trending OTD, cost overruns, and contractor performance metrics.

**Unallocated Hours.** The amount of time that has not been allocated to perform an event/activity due to risk or resource constraints. It is calculated based on: total hours needed - allocated hours.

**Unique Identifier.** Means a set of data elements permanently marked on an item that is globally unique and unambiguous and never changes, in order to provide traceability of the item throughout its total life cycle. The term includes a concatenated Unique Item Identifier or a DoD recognized unique identification equivalent.

**Validate.** A **Surveillance Technique** used to confirm or determine that a process, product or service meets the intended needs/results. It is a measure of effectiveness; it is not the same as verify. For example, this technique can be used for validating that a CAP is effective and has met the desired intent of fixing the problem. Another example is the software application meets the desired intent/need of the user as validated through flight test, live fire test, or other tests performed by the user.

**Validation.** A determination or confirmation using objective evidence that a system/process, progress, product, or service consistently produces a result or product meeting requirements. Additionally, validation of CARs ensures the effectiveness of the corrective action.

**Verification.** Confirms that the system/process, progress, product, or service meets requirements at a single point in time. For corrective actions, verification seeks to confirm the recommended actions were completed.

**Verify.** A **Surveillance Technique** used to confirm or determine the level of conformity/compliance to contractual or policy/procedure requirements through objective evidence. The technique supports a verification determination. Verify is often used after techniques such as analyze, examine, observe, or test. Examples are: the software meets the design requirements as verified through test; the contractor's Engineering Change Proposals, report, or log meets the policy/procedure requirements; contractor costs are charged in alignment with the Disclosure Statement; or the contractor implemented the actions identified in their CAP.

**Virtual Surveillance.** Performing surveillance from a remote location, rather than in person, using a virtual connection. It may entail gaining access to the contractor's internal enterprise systems using our own DCMA Information Technology equipment or other approved equipment.

**Witness.** A **Surveillance Technique** used for 100 percent oversight, of an entire event to confirm the occurrence of the event and/or adherence to requirements. This can be a very labor-intensive technique. This technique can be required by a procuring activity or self-imposed when the risk is high. Examples include witnessing tests, lifts, and critical events.

## GLOSSARY

### G.2. ACRONYMS.

ACO	Administrative Contracting Officer
AS	Aerospace Standard
CACO	Corporate Administrative Contracting Officer
CAGE	Commercial and Government Entity
CAP	Corrective Action Plans
CAR	Corrective Action Request
CBS	Contractor Business Systems
CDRL	Contract Data Requirements List
CIC	Contract Integrity Center
CMO	Contract Management Office
CMT	Contract Management Team
CRR	Contract Receipt and Review
CSI	Critical Safety Items
DACO	Divisional Administrative Contracting Officer
DC&A	data collection and analysis
DCAA	Defense Contract Audit Agency
DCMA-MAN	DCMA Manual
DFARS	Defense Federal Acquisition Regulation Supplement
EVM	Earned Value Management
EVMS	Earned Value Management System
FAR	Federal Acquisition Regulation
FPCP	Facility Process Capability Profile
FS	Functional Specialist
GIDEP	Government Industry Data Exchange Program
HQ	Headquarters
IAW	in accordance with
KCR	Key Contract Requirement
MOA	Memorandum of Agreement
OASIS	Online Aerospace Supplier Information System
OTD	on time delivery
OU	Operational Unit

PDCA	Plan-Do-Check-Act
PST	Program Support Team
QA	Quality Assurance
QMS	Quality Management System
RCA	root cause analysis



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