DCMA Manual 2303-04
Surveillance – Document Results, Corrective Actions & Provide Feedback

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Office of Primary Responsibility	**Contractor Effectiveness Capability**
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Purpose: This manual, in accordance with the authority in DoD Directive 5105.64 "Defense Contract Management Agency (DCMA)":

- Implements policy established in DCMA Instructions 2301, "Evaluating Contractor Effectiveness," and 2303 "Surveillance," as well as the DoD Instruction 7600.02, "Audit Policy," and DoD Manual 7600.07, "DoD Audit Manual."

- Assigns responsibilities, and prescribes procedures for creating and storing surveillance records; describes the conditions when to request corrective action and selecting the appropriate level; performs data collection and analysis throughout the contract period of performance; and makes adjustments to the surveillance plan and assessed risk through feedback.

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SECTION 1: GENERAL ISSUANCE INFORMATION

1.1. APPLICABILITY. This manual applies to DCMA organizational elements who enable or perform surveillance and reporting on contractor management, operations, and performance when acquiring products, services, and systems. It applies to allow for flexibility in performing oversight and administration of DCMA administered contracts, and contracts with delegations. Highly sensitive, classified, cryptologic, and intelligence projects and programs must follow this manual to the maximum extent practicable.

1.2. POLICY. It is DCMA policy that:

a. In accordance with DCMA Instruction (DCMA-INST) 2303, “Surveillance,” and Defense Federal Acquisition Regulation Supplement (DFARS) Section 242.1106, "Reporting Requirements," this manual defines roles and responsibilities and the steps to:

(1) Document Surveillance events.

(2) Request corrective action.

(3) Perform Data Collection and Analysis (DC&A).

(4) Adjust surveillance based.

b. This manual is executed in a safe, efficient, effective, and ethical manner.

SECTION 2: RESPONSIBILITIES

2.1. DCMA COMPONENT HEADS/CAPABILITY MANAGERS. Component Heads and/or Capability Managers must issue and deploy surveillance related publications, training, guidance, and tools to align with manual guidance herein.

2.2. COMMANDER/DIRECTOR, OPERATIONAL UNIT COMMANDS. The Operational Unit Command Director/Commander will:

a. Review documentation, corrective actions, and feedback for compliance and providing advice on weaknesses to the submitting Contract Management Office (CMO).

b. Assist the workforce by ensuring compliance with this manual. Ensure that remedies exist to address a noncompliance and that adequate internal corrective actions can be implemented.

c. Elevate their respective CMOs challenges to agency senior leadership and work with the applicable headquarters (HQ) organization to improve the specific processes and training.

d. Explain to the workforce new manual requirements and on-going efforts at HQ that affect associated processes.

2.3. COMMANDER/DIRECTOR, CONTRACT MANAGEMENT OFFICES. The CMO Commander/Director will:

a. Establish and maintain a systematic, cost-effective program for assessing and reporting on contractor management, operations, and performance; including CMO efforts for ongoing contractor monitoring and evaluations.

b. Ensure their workforce executes the procedures in this manual. Perform causal/root cause analysis through various means of supervisor reviews (i.e., First Level Supervisor Review (FLSR), periodic assessments, metrics) to correct internal findings and incorporate preventive measures.

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

2.4. FUNCTIONAL GROUP LEADERS. Functional Group Leaders will:

a. Perform secondary review and endorsement of the written reports, as applicable.

b. Ensure compliance with this manual and align CMO, center, or command surveillance related publications, training, guidance, and tools with this manual.

c. Coordinate surveillance results with individuals supporting Contractor Business Systems (CBS) in accordance with (IAW) DCMA Manual (DCMA-MAN) 2301-01, “Contractor

Business Systems" and Technical System Assessments IAW DCMA-MAN 2301-02, "Contractor Technical System Assessment".

2.5. FIRST LEVEL SUPERVISORS. First level supervisors will:

a. Ensure their workforce executes these manual requirements. Perform causal analysis to correct noncompliance and incorporate preventive measures.

b. Review documentation, corrective actions, and feedback records generated by CMO, center, or command functional specialists for accuracy, completeness, and validity of resources.

c. Implement the local procedures, including management internal controls.

d. Review and provide comments on reports as appropriate.

e. Mentor functional specialists in the best practices for assessing and reporting on the contractor's management, operations and performance.

f. Supervisors may delegate limited responsibilities (non-supervisory) contained in this section to leads/team leaders.

2.6. CONTRACTING OFFICERS. The Contracting Officer (CO) will consider the recommendation of the functional specialists to issue a Level III or IV Corrective Action Request (CAR) when a deficiency is identified.

2.7. FUNCTIONAL SPECIALIST. The Functional Specialist will:

a. Keep accurate records of the surveillance events and maintain the results in the approved system of record (see definition in Glossary, G.1.).

b. Keep the internal and external customer(s) informed.

c. Request corrective action from the contractor.

d. Make a recommendation for requesting corrective action to CMO, center, or command leadership.

e. Collect and analyze government, contractor, and customer source data; take action as appropriate.

f. Adjust surveillance plans including risk assessments and schedules.

SECTION 3: INTRODUCTION

3.1. SURVEILLANCE.

a. Overview. Contractors use systems, processes, policies/procedures, controls, plans, and schedules to meet contractual requirements and deliver products/services IAW the Federal Acquisition Regulation (FAR), DFARS, DoD Instructions, and industry standards in the contract. During surveillance, DCMA evaluates contractor plans, schedules, policies/procedures, systems, processes, products, or services to assess adequacy, compliance, and/or progress at various points.

b. Process. DCMA-INST 2303 describes the surveillance process as being comprised of four recurring steps: (1) Assess Risk, (2) Plan Events, (3) Execute Surveillance with Standard Techniques, and (4) Document Results, Corrective Actions, and Provide Feedback.

3.2. DOCUMENTING RESULTS, IDENTIFYING CORRECTIVE ACTIONS, AND PROVIDING FEEDBACK.

a. Overview. The final step of the surveillance process begins with establishing a surveillance record for a discrete event with documented positive or negative results. Surveillance results require an analysis to determine whether a deficiency exists, which could lead to the request of a corrective action. A report documents program impacts related to cost, schedule and/or technical performance. Collecting and analyzing surveillance results, contractor performance data, risk assessments, and customer inputs will identify whether findings indicate systemic issues. The functional specialist will determine if adjustments to the surveillance plan are necessary.

b. Process. This manual describes the final step in surveillance process resulting in an output that loops back to the initial step on surveillance adjustments.

SECTION 4: DOCUMENTING RESULTS

4.1. DOCUMENTING SURVEILLANCE RESULTS. The Functional Specialist must create and maintain a surveillance record when executing one of the surveillance techniques identified in DCMA-MAN 2303-03, "Surveillance – Execute with Standard Techniques."

a. Create Surveillance Record. A Surveillance record at minimum must contain the following information:

(1) Functional Specialist Name. Name of the person that performed the surveillance.

(2) Date. Surveillance task completion date.

(3) Contract and/or Program. Contract number(s) and/or program name as applicable.

(4) Surveillance Category. Contractor process, product/service, or progress evaluation.

(5) Evaluation Item. The contractor's product, system, and/or event under evaluation.

(6) Requirement Reference. The contractual requirement that instructs the contractor to create a product or perform an action such as data item description, contractor's procedure, and/or industry standard.

(7) 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).

(8) Results. Results based on Evaluation Criteria (e.g., verified requirements traceability, verified compliance to a data item description, assessed robustness of test cases, verified completion of milestone entrance/exit criteria) to include surveillance activities performed and conclusion description for each criteria.

(a) When a deficiency exists, provide a description including severity or significance using appropriate criteria for the subject matter (e.g., system safety, FAR 46.101 Critical, Major, or Minor quality nonconformance).

(b) When a deficiency exists, trace each deficiency to the specific paragraph number for the requirement statement.

b. Record Storage. The functional specialist will upload the surveillance record into the approved system of record.

c. Function-Specific Content. A functional group could require that additional content is necessary beyond the list within paragraph 4.1.a to complete a record. Functional specific record content details can be found on this manual's resource page.

4.2. REPORTING.

a. Customers. The functional specialist will communicate surveillance results to the acquisition customer and CO. Report to the customer monthly or coordinate with the customer an ad hoc or routine reporting frequency. Effective communication must be accurate, relevant, and timely. Reports can be submitted individually or consolidated through the CO as agreed to with the customer. For CBS evaluations, the functional specialist must communicate results to the CO.

(1) Ad Hoc Functional Report. The functional specialist immediately reports to the customer any information that may impact cost, schedule, or technical performance. The functional specialist should provide enough detail so that the customer can react.

(2) Routine Functional Report. A report created on a recurring basis to notify the customer of the functional specialist's independent assessment which include top drivers, program impacts, and DCMA projections as it relates to contract cost, schedule, or technical performance.

(a) The report should include the below information when applicable:

1. Independent assessments of:

a. The contractor's effectiveness in managing to a delivery schedule.

b. The contractor's effectiveness in managing within a budget.

c. The contractor's effectiveness to implement technical specifications including product defects and any changes resultant from periodic reviews (e.g., Material Review Board (MRB) Items or Software Problem Reports).

d. The contractor's effectiveness to managing risk.

2. Data analysis results.

3. Opportunity observed for contractor process improvement.

a. An opportunity is not a contractual deficiency.

b. An opportunity must be clear that it is not a constructive change to contract or requirement for the contractor to take action.

c. Communicate the improvement opportunity through appropriate customer channels (e.g., survey reports, memorandums, or other processes used to communicate surveillance execution results).

4. Recommendations as appropriate.

(3) Program Support. The functional specialist follows the reporting requirements in DCMA-INST 3101, "Program Support," when assigned to a major systems acquisition program with reporting requirements.

(4) Document. The delivery of documentation and communications with the customer will be documented.

SECTION 5: IDENTIFYING AND ADDRESSING CONTRACTUAL DEFICIENCIES

5.1. IDENTIFYING AND ADDRESSING CONTRACTUAL DEFICIENCIES.

a. CMOs, centers, and commands identifying deficiencies will utilize the structured corrective action process outlined herein to ensure the contractor addresses the deficiency.

b. Significant recurring deficiencies of products, processes or causes may be indicative of a breakdown in the contractor's applicable business and/or management systems or operations. These include, but are not limited to (* indicates CBS):

(1) Accounting System.*

(2) Aircraft Operations.

(3) Contract Safety.

(4) Purchasing System.*

(5) Earned Value Management System (EVMS).*

(6) Estimating System.*

(7) Materials Management and Accounting System (MMAS).*

(8) Property Management System.*

(9) Quality Management System.

(10) Engineering efforts and management systems, that relate to design, development, production, etc.

c. 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. CMOs, centers, and commands will ensure functional specialists collaborate with each other to ensure the proper documentation and notification efforts are utilized to improve contractor’s performance.

5.2. CUSTOMER IDENTIFIED DEFICIENCY.

a. When a deficiency is discovered by a customer and communicated to and verified by DCMA, the functional specialist or Administrative Contracting Officer (ACO) (for CBS) must initiate a CAR and manage any corrective actions IAW this manual, except when:

(1) The issue is being addressed as a reported Deficiency Report (DR).

(2) A CAR has been initiated by the customer directly to the contractor.

b. The customer initiated corrective action process should be monitored by the cognizant DCMA functional specialist when practicable to gain additional insight for surveillance planning.

c. When the contractor's response to the customer-initiated DR or CAR is inadequate, DCMA will discuss the contractor's Corrective Action Plan (CAP) with the customer to decide whether DCMA will issue a CAR at the appropriate level or the customer will take additional actions.

5.3. CONTRACTOR IDENTIFIED DEFICIENCY.

a. If a contractor's corrective action is ineffective and action to correct it by the contractor is not taken immediately after identifying the failure of the corrective action, DCMA will issue a CAR. If applicable, the CAR should be issued against their business or management systems. CARs issued for repetitive deficiencies disclosed by a contractor should cite a weakness in the contractor's causal analysis or corrective action process.

b. When DCMA surveillance is accomplished concurrently with a contractor event (e.g., concurrent Product Evaluation, Software Peer Review, and EVMS Self-Assessment) a CAR should 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., EVM or property joint surveillance), a CAR will be issued for an identified deficiency.

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

5.4. DCMA IDENTIFIED DEFICIENCY.

a. Contractual Requirement. The CAR must be issued against a valid contractual requirement and the cited deficiency description must concisely show a clear departure from the contractual requirement.

b. Contractor Information Control. CARs may contain information that contractors consider to be trade secrets, confidential, and/or proprietary. No CAR will be released 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 any release.

c. CAR Preparation. A CAR will be initiated, issued and tracked via the approved system of record; however, a Level I CAR not requiring a Root Cause Analysis (RCA) will be initiated and tracked in the approved system of record, but does not need to be issued. The functional specialist will notify the contractor of Level I CARs initiated, but not transmitted through the approved system of record. A CAR will be coordinated, approved, and distributed IAW Table 1, CAR Coordination, Approval, and Distribution Matrix. The complexity of the corrective action may warrant an in-person discussion of the concerns. Level II and higher CARs will communicate the contractor's response requirements contained in Table 3, Contractor's CAR Response Requirements Matrix. Level II CARs and above must state that the contractor is required to produce and submit a CAP except as provided in paragraph 5.4.k. Level I CARs may also require a CAP in instances where the root cause is not known. A CAR must indicate whether any deficiency found on an outcome or product is categorized as a minor, major, or critical nonconformance. The determination of Minor, Major and Critical nonconformance is made using the definitions provided in the Glossary of this Manual. This determination should not be confused with definitions used to determine the impact of a nonconformance with regard to application and associated with risk regarding Requests for Variation (RFV)/MRB Review Board (MRB) Actions identified in DCMA-MAN 2301-06, "Discrepancy Processing." See this manual's resource page for additional functionally specific information.

Table 1. CAR Coordination, Approval, and Distribution Matrix

CAR Level	Pre-Release Coordination*	Approval For Release & CAP Acceptance*	Pre-Release Notification	Issued To Contractor Management Level	Post-Release Distribution
I	N/A	Functional Specialist	N/A	Lowest management responsible to correct defect**	N/A
II	Other functions when impacted. Additional coordination prescribed locally	Functional Specialist	Other functions when impacted. Additional coordination prescribed locally	Functional level responsible for corrective action	Copy to ACO/DACO/CACO, originator of Quality Assurance Letters of Instruction, Letters of Delegation the affected CMO, center, or command functions, or DCAA.
III	CMO, center, or command Commander/ Director, Legal Counsel, Contract Integrity Center (CIC), applicable Centers (e.g., Property), etc., and applicable customer(s)	ACO / DACO / CACO For EV CARs issued at subcontractor level. See para. (5.5.c.)	Operational Unit Command Heads. Agency Director.	Top-level manager at business segment or corporate manager	A copy must be uploaded to the DCMA Forum and provided to the CMO, center, or command Commander / Director, Component Heads, CIC, any affected DCMA Centers, affected customers, and DCAA representative.
	CMO, center,	ACO /	Operational	Top level	A copy must be

IV	or command Commander/ Director, Legal Counsel, CIC, applicable Centers (e.g. Property), and applicable Customer(s)	DACO / CACO	Unit Command. Agency Director.	manager at business segment or corporate manager	uploaded to the DCMA Forum and provided to the CMO, center, or command Commander and Director, Component Heads, CIC, any affected DCMA Centers, all affected customers, and DCAA representative.
* For EVMS CARs, follow CBS Guidance for CAR Approval and CAP Acceptance. **Optional when a root cause is known					

d. Contracts requiring compliance with Aerospace Quality Management Systems. DCMA will use the Online Aerospace Supplier Information System (OASIS), where applicable, in order to leverage third party Quality Management System (QMS) certification audit results by eliminating duplicative oversight. OASIS is an online source for aerospace supplier certification, audit results, registration data, and feedback information. Follow the DCMA OASIS Job Aid found on the resource page when contracts with 9100 series QMS deficiencies are identified.

e. CAR Level. The level of the CAR depends on the significance of the deficiency and the level of contractor management engagement required. Lower level CARs need not be issued prior to higher level CAR issuance. The CAR Levels are:

(1) Level I. A Level I CAR describes a deficiency on an outcome or product of a process(es) and is not symptomatic of a breakdown of a process, or system. A Level I CAR may require the contractor to provide RCA, if the root cause is unknown. If a decision is made to issue a Level I CAR requiring a RCA the "response required" check box in the approved system of record must be selected.

(2) A Level II CAR describes deficiencies in a contractor process(es) (e.g., purchasing, configuration management, EVM processes) that are: not a significant breakdown of a higher level system; a deficiency associated with Critical Safety Items (CSI) critical characteristics; an escalation of Level I CARs indicating increasing process performance risk; or, multiple major product deficiencies indicating a systemic issue throughout the process(es).

(3) Level III. A Level III CAR describes multiple 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. 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) 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. 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. Any contractual remedies will be implemented IAW applicable FAR/DFARS policies and procedures.

f. CO Available Actions. At any point in the CAR process, the CO retains the right to exercise, as appropriate, any contractual rights or remedies otherwise available to the government IAW applicable regulations (i.e., consideration or withholds).

g. Selective Discontinuance Government Surveillance. There may be times when it is not in the best interest of the Government to continue surveillance actions during oversight of contractor performance. When repeating deficiencies are identified, the functional specialist may recommend discontinuing surveillance in the area of concern until the contractor has provided an acceptable corrective action. The CO must notify the contractor that the government is discontinuing surveillance through a Level III CAR. To suspend product acceptance see paragraph 5.4.h.

h. Suspend Product Acceptance. Action to suspend product acceptance will be accomplished via a Level IV CAR.

i. Customer Complaint. CAR will clearly state that the request should be treated by the contractor as a customer complaint.

j. CAR Elements. The CAR must contain at minimum elements marked for each level within the Table 2, Minimum CAR Elements Matrix.

k. Contracts for Commercial Items (FAR Part 12). CARs issued for nonconforming product or service being tendered to the government for acceptance under FAR Part 12 contracts (i.e., contract includes FAR 52.212-4) can only require the contractor to identify actions taken to correct the specific product nonconformity.

l. Supporting Artifacts. CARs will include artifacts documenting a deficiency when the capability exists and it 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.

m. Disclaimer Statement. CARs will contain a standard 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."

n. Communication Process. A written notification should be submitted by the authoring organization's leadership to DCMA Director via the chain of command using the CAR Level III & IV Communication Process (see Resource Page) prior to release of any Level III or IV CARs. This notification should provide an executive-level synopsis of the underlying CAR and deficiency.

o. Contractor Correspondence Letter. Level III and IV CARs will be issued on DCMA letterhead. A transmittal letter from the CMO, center, or command Commander/ Director to the contractor senior leadership communicating the significance of the CAR may be provided as warranted to accompany the CAR.

p. Content Exceptions. Information designated No Foreign Nationals (NOFORN) or classified will not be entered into the unclassified approved system of record.

Table 2. Minimum CAR Elements Matrix

CAR Elements	Level I	Level II	Level III	Level IV	Remarks
Name of the contractor and location	X	X	X	X	
Program(s) (if applicable)	X	X	X	X	
Contract Number(s)	X	X	X	X	If the deficiency is applicable to multiple contracts, enter of the affected contract numbers in the approved system of record so that all applicable customers (e.g. USA, USN, USAF, DLA, etc.) are represented.
Contractual requirement reference(s)	X	X	X	X	
Description of the deficiency which show(s) a clear departure from the stated requirement	X	X	X	X	Identification of "CSI" if the deficiency is associated with CSI characteristics
Date deficiency observed	X	X	X	X	
Date CAR approved	X	X	X	X	
Date CAR issued to contractor	X	X	X	X	If different than approved date
Due date for contractor's response	X*	X	X	X	*If necessary
Individual issuing CAR	X	X	X	X	
Individual approving CAR	X*	X*	X*	X*	If different from issuing individual
Customer Complaint statement	X	X	X	X	See paragraph 5.4.e.(4) i
Disclaimer statement	X	X	X	X	See paragraph 5.4.e.(4) m
*Optional, not normally required. For example, CARs issued for nonconforming product or service under FAR Part 12 contracts only require the contractor to identify actions taken to correct the specific product deficiency.					

5.5. SUBCONTRACT LEVEL DEFICIENCY.

a. It is the prime contractor's responsibility to manage its supply chain. Prime contractors have wide latitude as to how they control their supply chain, and are ultimately responsible for flow down and execution of contract requirements. When DCMA identifies a deficiency at a subcontract level, the appropriate CAR Level (Level I or II) will be issued directly to the subcontractor with notification to the prime contractor via the prime CMO. The notification to the prime contractor will be redacted as needed to prevent disclosure of subcontractor proprietary information. These requirements apply to DCMA surveillance efforts performed pursuant to a supporting contract administration delegation and also for contracts that explicitly stipulate an alternate facility as the place of performance.

b. The CMO cognizant of the prime contract will issue a CAR to the prime contractor in situations where a deficiency at the subcontract level:

(1) Meets the criteria for a Level III CAR;

(2) Indicates a systemic lack of prime control of subcontractors (e.g., recurring subcontractor deficiencies); or

(3) If a subcontractor is unwilling to implement effective corrective action.

c. The exception is provided for an EVMS deficiency. Initial and continued compliance demonstration with a valid, approved EVMS is required when meeting the following conditions: (1) cost plus or incentive type contract, (2) greater than $100M (USD, then year dollars) contract award. When EVMS applies at the subcontractor via mandatory flow down through the Prime contract, the Cognizant Federal Agency (CFA) reviews the subcontractor EVMS at the subcontractor site regardless whether the CBS is on the subcontract. In this case the application of EVMS to subcontractors uses the same rules as applied to the prime contractor. There is no privity of contract when the EVMS requirement is required at the subcontractor level. In cases of EVMS non-compliant deficiencies at the subcontractor, the CARs of whatever level are issued directly to the subcontractor.

d. In certain circumstances, DCMA may perform EVMS reviews of sub-contractor CBS – only if the CBS requirement is levied on the subcontract from the Prime. As these reviews may entail access to subcontractor proprietary data that is not releasable to the prime contractor, CARs will be issued directly to the subcontractor. When a United States prime contract does not exist, no CO assigned, and the CBS determination must be made, the CMO Commander/Director may release the Level III CAR to the subcontractor.

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

5.6. COORDINATING A CORRECTIVE ACTION REQUEST.

a. CAR will be coordinated IAW Table 1.

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

c. If fraud, corruption, or counterfeit items are suspected, the fraud indicator will be reported to the applicable regional Contract Integrity Center (CIC) Counsel. Any CARs associated with such suspicions will be coordinated with the applicable CIC Counsel prior to issuance.

d. It is critical that CMO, center, or command communicate with affected customers when significant deficiencies are observed. These communications should advise the customer of DCMA actions to address the specific instances, underlying root causes, and potential impacts.

e. Coordination with customers can serve to develop a unified government position. However, customers do not have the right to direct DCMA to issue or not to issue a CAR. DCMA has an independent responsibility to address noncompliant contractor performance. Customer concerns with DCMA-issued CARs should be escalated through the DCMA management chain, as appropriate.

f. For Aviation CSIs, NAVY-SECNAV INST 4140.2, DCMA-INST CSI (AV), "Management of Aviation Critical Safety Items" requires the procuring activity be advised of CARs issued by DCMA to the contractor relative to noncompliant aviation CSI, CSI critical characteristics, or deficient manufacturing, configuration management, quality management, or contractor management processes. Advise the Engineering Support Activity through the procuring activities of contractor responses and status of corrective actions relating to defective CSI or CSI processes.

5.7. 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 within 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, DCMA should escalate the CAR to the next higher corrective action level.

5.8. REVIEWING AND ACCEPTING A CONTRACTOR'S CORRECTIVE ACTION PLAN.

a. The contractor's proposed CAP will be reviewed to ensure each deficiency cited in the CAR is addressed, adequacy of the contractor's root cause analysis, and planned corrective actions is determined. (See Table 3).

b. When a CAP does not adequately address the applicable requirements cited in Table 3**,** 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 10 calendar days to resubmit a revised CAP. The written rejection will address the specific

part(s) of the CAP that are deemed inadequate and describe the basis for the inadequacy determination.

c. If the revised CAP due date passed without a contractor's response or the resubmitted response is still found to be insufficient, the CAR will generally be raised to the next higher CAR level and the process and timeline will start over. If the CMO, center, or command's leadership is confident that the contractor will take adequate corrective action without escalation, then an explanation will be added in the approved system of record and a new 10 calendar-day suspense established. If the CMO, center, or command's leadership validates that the CAR was issued in error, then an explanation will be added and the CAR will be withdrawn and closed in the approved system of record.

d. Table 3 identifies the required criteria a contractor's CAR response must contain for DCMA's approval and acceptance of the CAP. For Level III and IV CARs, the response to the contractor will be issued by the CO. The ACO will issue escalated CARs that are not related to a CBS. When an escalated CAR relates to a CBS, the CO listed in Contract Business Analysis Repository will be responsible for issuing the escalated CAR for the CBS determination.

Table 3. Contractor's CAR Response Requirements Matrix

Requirements	**Level I**	**Level II**	**Level III**	**Level IV**
Root cause of the deficiency	X*	X	X	X
Corrective Action taken or planned to eliminate the cause(s) and prevent recurrence of the deficiency, to include addressing people, process, and/or tools as indicated	X*	X	X	X
Actions taken to correct the specific deficiency	X	X	X	X
Determination of whether other processes are affected by the identified root cause(s)	X*	X	X	X
Determination of whether other products/services are affected by the identified root cause(s), including product already delivered to the customer	X*	X	X	X
Action taken to correct the weakness which allowed deficient products/services to be provided to the government for acceptance	X*	X	X	X
Target date(s) for implementation of planned actions (e.g., CAP Approved Date, Verification Date, Validation Date)	X*	X	X	X
*Optional, not normally required. For example, CARs issued for nonconforming product or service under FAR Part 12 contracts only require the contractor to identify actions taken to correct the specific product deficiency.				

5.9. VERIFYING A CONTRACTOR'S CORRECTIVE ACTION.

a. The contractor's implementation of corrective and preventive actions will be verified.

b. When corrective actions are not being implemented IAW the accepted CAP, notify the contractor in writing and request the contractor submit a revised CAP. Allow the contractor 10 calendar days to submit a revised CAP.

c. If the contractor fails to respond within the revised CAP due date or the resubmitted response is still found to be insufficient, escalation of the CAR should be considered. If the CMO, center, or command's leadership is confident that the contractor will take adequate corrective action without escalation, then an explanation will be added in the approved system of record and a new 10 calendar-day suspense established.

d. If after 10 calendar days a contractor does not respond or the resubmitted response is still found to be insufficient, the CAR will be raised to the next higher CAR level and the process and timeline will start over.

5.10. VALIDATING A CONTRACTOR'S CORRECTIVE ACTION.

a. Validate the effectiveness of a contractor's corrective action. A validation review will be conducted by the functional specialist after the contractor completes the corrective actions to ensure full resolution of the deficiency.

b. A suspense date will be established for the validation review. The suspense date will follow a suitable corrective and preventive action stabilization period. The follow-up review will ensure that 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 that the contractor's corrective action is ineffective, 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 results of the follow-up review including the date completed will be documented.

5.11. ESCALATING A CORRECTIVE ACTION REQUEST TO THE NEXT HIGHER LEVEL.

a. CARs should be raised to the next higher level when a contractor is unwilling or unable to implement effective corrective action. However, if the CMO, center, or command's leadership is confident that the contractor will take adequate corrective action without escalation, then an explanation will be added in the approved system of record and a new 10 calendar-day suspense established.

b. When a CAR is raised to the next higher level, the process will start over and the contractor will be given a 10-calendar day suspense. Examples of circumstances when CAR levels should be raised include:

(1) Multiple Level I or II CARs issued in a reasonably short period of time indicating a breakdown or systemic issue of one or more contractor's products, processes or systems.

(2) Contractor is nonresponsive to a CAR.

(3) Multiple rejections of the contractor's response for the same CAR.

(4) Recurring history of CAR response rejections indicating a breakdown of the contractor's corrective action process.

(5) Contractor fails to implement corrective actions outlined in a CAR response.

(6) Multiple occurrences of ineffective contractor corrective actions.

5.12. CLOSING A CORRECTIVE ACTION REQUEST.

a. When the issuer or delegate of the CAR is satisfied that 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 that were performed.

b. CARs must be closed within 15 calendar days of completion of validation. If validation of implemented corrective actions cannot be accomplished within 15 calendar days of the validation suspense date the CAR may be closed with an explanation and scheduled date for accomplishing the validation actions. Ineffective corrective actions discovered may result in the issuing of another CAR.

c. The contractor will be notified when the CAR is considered closed.

d. For Level III and higher CARs, the CO will issue a letter notifying the contractor of the closure action and send copies to all those addressed and copied in the original CAR.

5.13. IDENTIFYING A DEFICIENCY IN A CONTRACTOR BUSINESS SYSTEM COVERED BY DFARS 242.70.

a. When deficiencies are identified against a CBS, a CAR will be used to document the deficiency. For more information related to the DCMA implementation of DFARS 242.70, see DCMA-MAN 2301-01.

b. If the functional specialist or auditor identifies a deficiency that could potentially be considered significant, he or she will coordinate with the CO responsible for determining the acceptability of the Contractor's business system. In order for the CO 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 CO. If the CO determines the deficiency is not significant, the functional specialist will pursue corrective action, as appropriate.

c. For significant CBS deficiencies, CARs will be issued as a Level III or IV, as applicable. The CAR Level III & IV Communication Process will also be followed (See Resource Page).

5.14. INFLUENCING CONTRACTOR PERFORMANCE. Contractor deficiencies documented with CARs, as well as, the effectiveness of the contractor's corrective actions, either taken or merely proposed should be considered when providing input or comment on contractor performance for Contractor Performance Assessment Report or award fee purposes.

5.15. RECOUPING OF REINSPECTION COSTS. Recoupment of re-inspection costs should be considered if there are habitual rejections of supplies that require retesting, or supplies are consistently not ready for the functional specialist's inspection when inspection is requested. The functional specialist will recommend that the ACO take necessary action for recoupment.

SECTION 6: DATA COLLECTION AND ANALYSIS

6.1. DETERMINING THE TYPE AND SCOPE OF DATA.

a. Overview. The functional specialist must collect, evaluate and use contractor, government and customer/user data, and other applicable data elements to identify contractor systemic deficiencies; communicate cost and schedule concerns to the customer; and/or adjust surveillance plans IAW DCMA-MAN 2303-01, "Surveillance - Assess Risk" and DCMA-MAN 2303-02, "Surveillance - Plan Events"

b. Data. DC&A commences with the development of a surveillance plan and is utilized throughout the life of the plan and the contract. The initial collection of data is a key input to planning surveillance including the risks. The functional specialist continues to obtain applicable contractor, government and user/customer data based on the frequency level identified in the surveillance plan, customer requests, and/or driven through the identification of a potential risks or issues.

(1) Contractor data. Contractor performance data obtained from the contractor may include contractual deliverable items, IPT meetings, product, process and product characteristic performance data, and/or contractor / government program repository tools. Examples include 3rd party audit results, inspection and test records, process yield and MRB actions.

(2) Customer/User data. Customer input will also be a factor when performing DC&A. Receiving reoccurring customer input allows the Functional Specialist the ability to adjust priorities to what matters to the customer. Examples include Product Quality Deficiency Reports (PQDR), First Article Test results, and Contractor Performance Assessment Reporting (CPAR) System.

(3) Government data. DCMA surveillance results are a continuous input for decision making in: identifying nonconformances, adjusting resources and/or elevating contractor performance impacts to the customer. Examples include CARs, Process Evaluation results, System Audit results, and Supplier Risk Ratings.

6.2. PERFORMING DATA ANALYSIS.

a. Overview. The functional specialists must perform data analysis. The functional specialist will compare and analyze results across multiple related programs and functional area, where applicable, to identify trends or patterns which could result in the identification of contract, facility or program performance impacts, systemic deficiencies, and/or surveillance plan adjustments. The results may indicate if there were areas where a CAR should have been issued but was not. For example, if an area only has a pass rate of 60 percent based on 10 audits and no CARs have been issued, a deeper analysis may be necessary to determine if one should have been issued, or if there was a data entry error, etc.

b. Analysis. Utilize DC&A to assist in determining the effectiveness of a contractor's quality system to control product/services; and to develop and execute surveillance plans; and to

adjust the risk (if appropriate) based on the analysis. Analysis of data is required to obtain an overall assessment for the following, but not limited to:

(1) Data Trends.

(2) Validity of data.

(3) Contractor Effectiveness.

(4) Appropriate risk ratings assigned in applicable surveillance plan(s);

(5) Process stability, capability, and maturity.

c. Frequency. Functional specialists will perform DC&A at least annually or as contractor performance dictates. Completing functional reporting requirements for major programs may satisfy DC&A requirements.

d. Analysis Results Differences. If DCMA analysis results differ with the contractor's analysis results, the functional specialist should attempt to clarify the differences with the contractor and must communicate the results with the customer.

6.3. DOCUMENTING DATA ANALYSIS AND RESULTS.

a. Document. Functional specialists must record results of data analysis in the approved system of record. Data analysis records must identify the following, as a minimum:

(1) Date of analysis.

(2) Specialist performing analysis.

(3) Data analyzed.

(4) Conclusion/Impact(s).

(5) Actions taken.

b. Protect Data. Contractor data must be designated "For Official Use Only" unless otherwise instructed. It must be appropriately marked and protected to prevent unauthorized access or disclosure IAW DoD Manual (DoDM) 5200.01, Volume 4, Enclosure 3, "DoD Information Security Program: Controlled Unclassified Information."

SECTION 7: SURVEILLANCE FEEDBACK

7.1. PROVIDING SURVEILLANCE FEEDBACK.

a. Overview. After completion of the analysis from Section 6, functional specialists must evaluate the surveillance plan. Use all available information to adjust the surveillance plan or take appropriate actions commensurate with assessed risk. Consideration should be given to the level of results that the data is providing to ensure the data type(s) and collection points are adequate (e.g., sample size, frequency, resident vs, nonresident presence).

b. Indicators. Data analysis results showing trends in the following areas may indicate the need to adjust surveillance:

(1) Customer complaints traceable to a deficiency in the contractor's operation.

(2) Repetitive rejections, nonconformances or high scrap rate in a particular contractor operation.

(3) Consistent satisfactory or better contractor performance.

(4) Comparison of current and previous results and trends using the Agency approved system of record.

(5) Successful mitigation of a program risk or materialization of an issue (e.g. noncompliances resulting in an area identified as high risk or consistent compliance resulting in low risk assessments).

7.2. DECISIONS. Based on the results of the DC&A, the functional specialist will make decisions to determine whether to adjust surveillance.

a. Surveillance Risk Assessment Adjustments. The surveillance risk adjustments will be IAW the DCMA-MAN 2303-01.

(1) Mid-cycle Adjustments. The functional specialist will make the decision to update the assessed risk immediately depending on the severity of difference between the risk rated assessments and the DC&A results. A severe difference could be the result of, but not limited to changes to existing supplier processes, significant variance in contractor's performance, and modification of contractual requirements.

(2) Next Cycle. The functional specialist will make the decision to adjust the latest cycle's assessed risk by applying the historical DC&A results from the previous surveillance cycle(s).

b. Surveillance Plan Adjustments. Surveillance plan adjustments will be IAW the DCMA-MAN 2303-02.

(1) Mid-cycle Adjustments. The functional specialist will make the decision to adjust the schedule of surveillance events if the current schedule does not align with the updated highest risk rated assessments. The decision could include deferring or canceling scheduled lower risk surveillance events.

(2) Next Cycle Adjustments. The functional specialist will make the decision to adjust the surveillance plan going forward by applying the historical DC&A results from the completed surveillance cycle(s).

c. Customer-imposed Surveillance Requirements and Adjustments. When mandatory surveillance events are imposed and analysis concludes that surveillance may be reduced (sample size or frequency), the functional specialist will inform the customer in writing and allow at minimum of five business days for a response prior to implementing a change to the surveillance plan. If there is a written agreement to perform the mandatory surveillance events, the functional specialist will work with the customer to amend the agreement to reflect the reduction within 14 calendar days. The quantifiable analysis results will be kept as a record to support this risk based decision made by the functional specialist.

GLOSSARY

G.1. DEFINITIONS.

Approved System of Record. Generic description of any documentation storage (i.e., eTools, stand-alone databases, etc.) that is approved for use (by agency, operational unit command, center, or CMO leadership).

CAR. A request for a contractor to take action to eliminate the cause of a detected deficiency or other undesirable condition.

CO. The term CO is used to represent the ACO, DACO, and/or CACO throughout this manual. A person with the authority to enter into, administer, and/or terminate contracts and make related determinations and findings (FAR 2.101, "Definitions"). The term includes certain authorized representatives of the CO acting within the limits of their authority as delegated by the CO. "ACO'' refers to a CO who is administering contracts. "Termination contracting officer (TCO)" refers to a CO who is settling terminated contracts. Same applies for the CACO and DACO.

Compliance. The act of complying with a desire, demand, proposal, or regime or to coercion. Conformity in fulfilling official requirements. If the audit criteria are selected from statutory requirements or regulatory requirements, audit findings can be called compliance or noncompliance. Noncompliance is a state of not being in compliance.

Conformity. Fulfilment of a requirement.

Deficiency. Deficiencies are defined as noncompliance or nonconforming conditions. Deficiency is used throughout this document to represent departures from product requirements as well as procedural requirements.

Functional Specialist. Functional specialists are personnel assigned to perform various surveillance tasks or functions in support of the Agency's mission (e.g., ACO, contract administrator, cost monitor, engineer, industrial specialist, information technology specialist, or quality assurance specialist).

Nonconformance, Critical. A nonconformance that is 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, that 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 that is 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. OASIS is 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).

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

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). In the specific case of the EVMS CBS, a significant deficiency is synonymous with a noncompliance.

GLOSSARY

G.2. ACRONYMS.

ACO	Administrative Contracting Officer
CACO	Corporate Administrative Contracting Officer
CAR	Corrective Action Request
CAP	Corrective Action Plans
CBS	Contractor Business System
CIC	Contract Integrity Center
CMO	Contract Management Office
CO	Contracting Officer
CSI	Critical Safety Item
DACO	Divisional Administrative Contracting Officer
DC&A	Data Collection and Analysis
DCAA	Defense Contract Audit Agency
DCMA-INST	DCMA Instruction
DCMA-MAN	DCMA Manual
DFARS	Defense Federal Acquisition Regulation Supplement
DR	Deficiency Report
EVM	Earned Value Management
EVMS	Earned Value Management System
FAR	Federal Acquisition Regulation
HQ	headquarters
IAW	in accordance with
MRB	Material Review Board
OASIS	Online Aerospace Supplier Information System
QMS	Quality Management System
RCA	Root Cause Analysis

REFERENCES

DCMA Instruction 2301, “Evaluating Contractor Effectiveness,” January 24, 2019
DCMA Instruction 2303, “Surveillance,” November 5, 2018
DCMA Instruction 3101, “Program Support,” September 2, 2018
DCMA Manual 2301-01, “Contractor Business System,” TBD
DCMA Manual 2301-02, “Contractor Technical System Assessment,” TBD
DCMA Manual 2301-06, “Discrepancy Processing,” April 1, 2019
DCMA Manual 2303-01, “Surveillance – Assess Risks,” TBD
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DCMA Manual 2303-03, “Surveillance – Execute with Standard Techniques,” November 5, 2018
DCMA Manual 3301-08, "Information Security," January 21, 2019
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DoD Directive 5105.64, “Defense Contract Management Agency (DCMA),” January 10, 2013
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NAVY-SECNAV Instruction 4140.2, DCMA INST CSI (AV), “Management of Aviation Critical Safety Items,” January 25, 2006