



DEFENSE CONTRACT MANAGEMENT AGENCY

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SEP 05 2013

Mr. William Greenwalt
Vice President, Acquisition Policy
Aerospace Industries Association
1000 Wilson Boulevard, Suite 1700
Arlington, VA 22209

Dear Mr. Greenwalt,

DCMA has considered the information provided by industry and we appreciate the frank and open discussion at the meeting on April 25, 2013. These interactions demonstrated the value of open communication with stakeholders.

As we stated at the meeting, DCMA Instructions are intended to produce consistent application in work processes across the Agency and to provide customers and industry with transparency and business predictability. Corrective Action Requests (CARs) are issued when DCMA personnel observe non-compliances with valid contractual requirements; CARs should clearly describe a departure from contractual requirements. We recognize that if contractors self-identify non-compliances and take timely and appropriate action to correct the non-compliances, DCMA CARs are normally not needed. In our view, that should be the ultimate goal.

Industry's subcontractor management, however, is a recurring concern of DoD acquisition leaders. While reemphasizing the fundamental DCMA position (as found in the FAR and DFARS) that the prime contractor is responsible for managing its subcontracts, DCMA in its oversight role, seeks to operate in the most effective and efficient manner possible. Based on industry input that issuance of CARs directly to subcontractors, as was the past policy, is the most expedient method, DCMA is revising its Corrective Action Process Instruction. The planned changes to the CA Process Instruction include:

- Level I-II CARs will no longer be routinely issued to the prime contractor when non-compliances are observed at the subcontract level.
- Level I-II CARs will be issued directly to subcontractors with appropriately redacted information copies to the prime contractor(s).
- In situations where the subcontractor is unwilling or unable to implement effective Corrective Actions in a timely manner or systemic repeat findings are identified, a Level III CAR will be issued to the prime contractor(s). A redacted copy of the Level III CAR will be provided to the subcontractor.

At the meeting there was much discussion with regard to Contractor Business Systems (CBS). DCMA functional specialists perform system reviews to determine CBS acceptability. These reviews may involve access to subcontractor proprietary data that is not available to the

prime contractor. A CBS can only be formally approved/disapproved by the Contracting Officer at the prime contractor level. It is important to recognize that withholds are imposed on certain prime contracts when a prime's business system is disapproved because of significant system deficiencies. There may be occasions in which DCMA is assessing the adequacy of a prime contractor's business system and discovers data generated by a subcontractor's system that adversely impacts the prime. Under these circumstances, the prime contractor must be made aware of deficiencies found in a subcontractor's system.

Thank you for your suggested revisions to the CAR Instruction. We believe these changes address your concerns while still preserving the roles and responsibilities of the Government. We will continue to monitor the effectiveness of the revised process and welcome feedback from industry.

Sincerely,

A handwritten signature in blue ink, appearing to read 'C. Williams, Jr.', with a stylized flourish at the end.

Charlie E. Williams, Jr.
Director