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Contracting

**MANAGEMENT OF CONTRACTOR DELIVERY
PERFORMANCE**

COMPLIANCE WITH THIS PUBLICATION IS MANDATORY

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This instruction implements AFPD 64-1, *The Contracting System*. It establishes procedures for the management of contractor delivery performance on contracts for spare parts (both initial and replenishment spares), support equipment, and related data items. It applies to all AFMC contracting offices which issue or manage contracts for spare parts or weapons support equipment that are tracked on the J041, *Acquisition and Due-in System (ADIS)*, or its successor system. It does not apply to services or construction contracts or US Air Force Reserve and Air National Guard units and members. It describes the roles and interfaces of Defense Contract Management Agency (DCMA) and AFMC organizations involved in the management of these contracts as well as the automated administrative systems which support the process. Its purpose is to foster the integration of these elements to optimize the use of resources, avoid duplication of effort, establish process measures, and maximize control and oversight of contractor performance. Attachment 1 is a list of abbreviations. Attachment 2 provides a strawman description of the sequential steps to the contractor delivery surveillance process on a typical spare part or support equipment contract.

SUMMARY OF REVISIONS

This revision corrects references to DCMA offices according to recent name changes and changes Defense Logistics Agency (DLA) Directive 5000.4 to DCMA Directive 1. Updates paragraph 3, Delegated CAS Procedures, to reflect how the contractor is monitored; updates paragraph 4, AFMC Procedures, by deleting language referring to the Automated Contractor Responsibility Review Program (ACRRP); and corrects paragraph 5, Process Measures, by changing Quality Performance Indicators (QPI) to Business Performance Indicators (BPI) .

1. Contract Management Principles. The contracts which are subject to these procedures are typically described as "high velocity, high volume." They vary in nature from simple to complex; often involve technical or first article qualification; often specify multiple delivery schedules; require short notice

changes in delivery destinations and schedules; and run the gamut from inventory items to critical items "needed now" for mission support. Thousands of these contracts are active at any given time and their status is monitored and managed through a network of automated requirements, procurement, and inventory management systems. In the context of this environment, there is a set of general principles which should be followed for the effective and efficient execution of these contract actions. Regardless of the organizational placement of contract management personnel--matrixed, "cradle to grave," or separate contract management organization--or whether contract administration services (CAS) are delegated or retained, these principles apply. Buyers, contracting officers, and contracting managers are accountable for the application of these principles. The procedures described in this instruction elaborate on these principles. The principles are:

- 1.1. Write descriptive contracts with specific delivery requirements that reflect item manager (IM)/customer need dates. If the need date is impossible to achieve, obtain IM/customer coordination on acceptable delivery dates.
- 1.2. Use DCMA CAS personnel as effective agents to help in the surveillance and management of the contract actions. Communicate your special needs to them as soon as known.
- 1.3. Expect excellent CAS support and communicate and escalate your disappointment if you don't get it.
- 1.4. Carefully consider and exercise contractual remedies on delinquent contracts.
- 1.5. Grant contractual relief when in the best interest of the government to do so.
- 1.6. Ensure all affected automation systems have timely updates that reflect accurate information. Meticulously work error listings and understand the relevant connections between data systems.
- 1.7. Measure process and subprocess outputs, the accuracy and usefulness of process data, and take corrective actions on the root cause of process problems, when indicated.
- 1.8. Measure contractor performance and customer satisfaction for the purposes of continuous process improvement.

2. Retained CAS Procedures. The general procedures described in paragraphs 4 and 5 of this instruction are directed toward contracts which are delegated to DCMA for administration. However, most of these procedures apply to all contracts, whether administration is delegated or retained by the buying offices. When contract administration is retained by the buying office, perform those operations otherwise performed by DCMA, if they are necessary for the management of the retained contract.

3. Delegated CAS Procedures.

3.1. General. Delegate CAS to DCMA, except in rare cases which can be documented by the exceptions in Federal Acquisition Regulation (FAR), Part 42. Through effective use of CAS delegation, establish working relationship with DCMA field units that avoids overlapping and duplicative government effort, shows one face to industry, and relies on them to supplement the buying activities' contract management work force. Once delegated, DCMA has the primary responsibility for interface with the contractor. If you find that direct contractor contact is often necessary to get status or progress reports on contract delivery, something is wrong and the problem should be communicated to the responsible CAS offices and, if necessary, elevated up the management chain. It is essential

that positive and constructive contact be made with DCMA management to describe problems and that CAS requirements are clear and understood.

3.2. DCMA Surveillance Procedures. DCMA Directive 1, *Contract Management (One Book)*, Volume VI, Chapter 21, *Product and Manufacturing Assurance*, describes DCMA procedures and policies for contract management office (CMO) contractor delivery surveillance. It complements the FAR, Parts 42.1106 and 9.1 and the Department of Defense (DoD) FAR Supplement (DFARS), Part 242.1104. Become familiar with these documents and set your expectations consistent with them.

3.3. Surveillance Options. DCMA policies provide for production surveillance on two levels which are dependent on the nature of the contracting action and its criticality and importance to the buying office. The type of surveillance performed by the CMO is determined according to DFARS 242.1104. As a minimum, predelivery telephonic surveillance will be performed on all contracts. Criticality designator A contracts (see FAR 42.1105), contracts specifically identified for special surveillance by the contracting officer, and any contract where telephonic surveillance reveals actual or potential delinquencies and on-site surveillance is warranted will receive predelivery in-plant surveillance. On-site delivery surveillance includes the development of a surveillance plan and plant visits to assess the adequacy of contractor progress necessary to meet contract delivery schedules.

3.4. Notification of Potential or Actual Delinquencies. A potential delinquency is an item that is not yet late but is predicted to be late by the cognizant CMO. DCMA has committed to provide reports of any potential or actual delay in contractor delivery. CMO notification[s] to the buying office of an actual or potential delinquency will be made through ALERTS, DCMA's automated delivery surveillance system. ALERTS is a web-based management and communication tool that provides a two-way exchange of information from the CMO and buying activities. Accelerated Delivery Requests (ADR) explained in paragraph 4.2.1, Customer Priority Lists explained in paragraph 4.2.3, can be communicated through ALERTS, as well as other requests for information on specific contractual issues. Information on ALERTS can be found on DCMA's website at: <http://alerts.dcmdw.dema.mil/support/>. Telephone calls, FAXs, electronic messages to central bulletin board or to individual contracting officers, or written communications may be used by the CMO. If requested, DD Form 375-2, **Delay in Delivery**, can be mailed to DoD activities that cannot receive electronic transmissions. DD Form 375, **Production Progress Report/375C, Production Progress Report (Continuation)**, message or letter, may be sent to the buying office when requested, if corrective action or shipment is not imminent, or if the CMO industrial specialist perceives the need.

3.5. Notification of Shipments. CMO notification to the buying office of contractor shipments is done by way of shipment performance notices (SPN) which are transmitted electronically through Military Standards Contract Administration Procedures (MILSCAP). In addition, for destination acceptance items only, a MILSCAP Destination Acceptance Reporting and Tracking alert is issued by the Defense Finance and Accounting Service (DFAS) to the receiving activity advising of the shipment. The alert is a turnaround notice for the receiving activity to notify the payment office when acceptance occurs.

4. AFMC Procedures.

4.1. General. AFMC contracting office's responsibilities for managing contractor delivery performance start before the issuance of the contract. Contracts should be awarded to responsible contractors who are capable of meeting the delivery requirements and have demonstrated that capability either through solid records of past performance or government review of their capability. That solid,

credible record is directly influenced by the competent management of current contracts. The Requirements Activity should ensure schedules are achievable, and ensure that government property, facilities or equipment to be furnished under the contract, will be available. To be enforceable, delivery schedules must be clearly understood by the contractor, the CMO, and the buying office. To avoid confusion by the various parties in the process, express contract delivery dates as specific calendar dates, unless there are very good reasons not to do so. This means avoid "after receipt of order" type delivery schedule provisions and, if specific calendar dates are not used, convert the delivery dates to specific calendar dates.

4.2. Postaward Management. The objective of all contracts is to have on-time delivery without having to further modify the delivery schedule and to have contract files and computer systems that reflect the true performance of the contractor. To meet this objective, ensure that all parties to the contract meet their obligations, that necessary corrective actions are promptly taken whenever actual or potential delinquencies exist, and that records are accurately updated in a timely fashion. Be responsive to item manager's and the CMO's needs and expect the same support from them. Apply the principles listed in paragraph 1 to achieve this objective.

4.2.1. Time Sensitive Items. A time sensitive item is any item on contract for which delivery on or before the contract due-date is crucial to the Air Force mission. If all line items on a contract are time sensitive, then the contract is time sensitive. Closely manage these items. If not on a criticality designator A contract (see paragraph 3.3), identify these items to the cognizant CMO on either a special request or customer priority list (CPL), as soon as the requirement is known. If items become time sensitive after contract award, provide the CMO with a special request for support, and, if accelerated delivery is desired, process an ADR as soon as possible and ensure the cognizant CMO receives a copy of the ADR. ADRs are processed by DCMA as a type of special request and; accordingly, items listed on ADRs are given pre-delivery surveillance.

4.2.2. Customer Priority Lists. CPLs are lists of critical contracts or critical items on contracts which require predelivery in-plant surveillance by DCMA (see paragraph 3.3). They are but one of several optional means to identify items requiring predelivery surveillance to the CMO and are not needed if time sensitive items are identified by other means such as criticality designator A contracts or ADRs. CPLs may also include contracts with "high risk" contractors. High risk contractors are those with documented poor delivery performance on prior contracts or those identified in preaward surveys or other government reviews as being of high risk. If only certain line items on a contract are time sensitive, identify only those items on the CPL. CPLs are sent to the cognizant CMO. Put items on CPLs judiciously. DCMA cannot provide on-site predelivery surveillance on all items. If all items on contracts are identified as time sensitive to DCMA, then everything receives the same treatment and the net effect is that nothing is time sensitive. To avoid multiple and possibly conflicting direction from a single buying office to a single CMO, manage CPLs through a single focal point for the product directorate, air logistics center (ALC), or other arrangement, as appropriate. Establish appropriate frequencies for issuing and updating CPLs. As a minimum, list contract numbers, time sensitive contract line item numbers, and the reason for being time sensitive on the CPL. Ensure CPLs are kept current by updating them with each issuance of new lists. If items or contracts are no longer time sensitive, remove them from the CPL.

4.2.3. Notification of Performance Delays. Notification of delinquencies or potential delinquencies is provided by DCMA (see paragraph 3.4). In addition, they provide the cause of the delinquency (as determined by DCMA with a contractor delivery date revision agent code) and a

projected delivery date. Accurate and timely receipt of notifications of delinquencies are important to effective and efficient contract management. If the system is working well, expect notification on every forecasted or actual delinquency. Periodically measure the process effectiveness, accuracy, and timeliness and take corrective actions as appropriate.

4.2.3.1. Responding to Delay Notifications. React promptly to notifications of delays in shipment. Optional corrective actions are listed in paragraph 4.2.5. Notify the item manager of all delays, as appropriate, within 5 workdays of notification and document the action taken in the contract file within 30 days. Update contract delivery status records in computer data files as soon as possible. Inaccurate or untimely posting of changes to delivery due-dates or item delivery status will result in inaccurate contractor performance ratings and, consequently, could wrongly impact some contractor's future business with AFMC.

4.2.4. Amended Shipping Instructions (ASI) and Initial Shipping Instructions (ISI). ASIs and ISIs are frequently used on spare parts and reparable items contracts. Efforts to reduce inventories and shipping and storage costs will require more frequent use of ASIs and ISIs. When issuing an ASI or ISI, it is sometimes necessary to provide quick instructions to the contractor. Ensure ASIs and ISIs are processed expeditiously according to their urgency, that resulting contract modifications are processed promptly to meet the urgency of the ASI or ISI, and that all data systems records are updated before the contract due-date to reflect the new shipping destinations. Inform all parties involved in the shipment and receipt of the item of the new shipment destination including the contractor, the CMO, DFAS, and the depot. Failure to do the above, will result in data system mismatches and cause unnecessary manual corrections of SPN transaction rejections.

4.2.5. Corrective Actions. Following notification of a delivery delay, determine whether the contractor is or is not at fault (whether the delay is excusable or inexcusable). The contractor should be charged with a delinquency in delivery only if determined to be at fault. If after a reasonable attempt, a determination of fault cannot be made and further attempts are not reasonable, annotate all appropriate records including the official contract file and contract computer records to ensure the contractor will not be charged with a delinquency. Take action to determine fault as soon as the delay is known, preferably before the item goes delinquent. Fault determination is the primary factor in selecting the appropriate corrective action. Remedy excusable contractor delivery delays (for example, see FAR 52.249-8, *Default (Fixed Price-Supply and Service)*, and FAR 52.249-14, *Excusable Delays*, or government caused delays so as to establish a firm delivery date (bilaterally, whenever possible) and to preclude the contractor from being charged with a delinquency. As appropriate, under the terms and conditions of the contract, negotiate a modification to the contract to remedy all excusable and/or government caused delays regardless of the duration of the delay. If a contract modification is not executed, as a minimum, annotate all appropriate records to preclude the contractor from being charged with a delinquency. If action or inaction, of the government caused delay, ensure that the conditions which caused the action, or inaction, have been corrected. For delinquencies resulting from inexcusable contractor delays, decide on an appropriate course of action such as a delivery schedule extension (with appropriate consideration) or a partial or complete termination of the contract. Document the delinquency in all appropriate contractor performance history files.

4.2.5.1. Extending Contract Schedules. To preclude a waiver of the government's rights under the contract, the government is expected to diligently administer each contract. Taken to the extreme, this can mean that each and every delinquent event under a contract, regardless of the

extent of the delinquency (even one day!), must be reconciled with a contract modification. This requires an assessment of the "fault" of the delinquency, an assessment of the extent of damages to the government or the contractor, negotiation of the terms and conditions of the contract to be modified, and finally, the execution of the modification and completion of the related data inputs to ensure that the records in all data systems are up to date and match. Decide based on the facts and circumstances of the particular procurement whether a modification to the contract is necessary to preserve the rights of the government or to resolve requests for equitable adjustments of the contract issues. As appropriate when the delay is the fault of the contractor, consider all pertinent factors including the cause and duration of the delay, damages to the government, and other associated administrative costs before formally extending the contract delivery schedule. In some cases, this will mean that the contract delivery schedule will not be extended because of the impracticality or cost ineffectiveness of doing an extension. In other cases, a delay on the part of the contracting officer to take decisive, timely action when the contractor is at fault may result in the loss of the government's rights to consideration for the delay and the right to terminate the contract for default.

4.2.5.1.1. Adequacy of Consideration for Schedule Extensions. Do not extend contract delivery schedules for contractor caused delays without adequate consideration. The only exception to this is the case whereby, the government in failure to take timely actions, has waived its right to the current delivery schedule and must establish a new schedule in order to take further corrective actions with the contractor. Consideration for extension of schedules need not be limited to a reduction of contract price. Consider trade-off of other rights or items of value to the government. If the consideration is not monetary, it must be something of value to the government and its value must be commensurate with the amount the contract price would have been otherwise reduced. Derive the amount of consideration from the length of the delivery schedule slippage, dollar value of the delinquent items, and the administrative or unusual costs experienced by the government. Consider costs of workarounds, cannibalizations, additional pipeline costs, buying or leasing special equipment, and any other pertinent costs. Administrative costs of contract modifications differ from center to center. Establish standards at each center for the administrative cost of modifications and use those standards to establish the negotiating position with contractors.

4.2.5.2. Terminations. Terminate the contract if mission requirements will accommodate such an action and it is determined to be otherwise in the best interest of the Air Force. Balance factors such as availability of sources, criticality of need, and procurement lead time against the reliability of the contractor, the cause of the delinquency (excusable, inexcusable, or government caused), and other pertinent factors when making such a decision. Before electing to terminate, work closely with requirements and legal personnel.

4.2.5.3. Documenting Past Performance. Ensure that contractor performance data which are maintained in our computer systems are accurate and posted in a timely fashion. The fact that we have extended a contract delivery schedule and received consideration for that extension does not preclude us from using a contractor's delinquent record in past performance evaluations. Therefore, in vendor rating or contractor responsibility determination systems, delivery performance ratings will be based on how well contractors meet the original contract schedule unless the schedule has been modified due to excusable reasons or government-caused delays.

5. Process Measures.

5.1. Business Performance Indicators (BPI). On-time delivery to contract due date measures contractor performance to the contract delivery requirement. The BPI reports the quarterly percentage of contract line items (at the command and ALC levels) delivered on time to the contract due date.

5.1.1. The data to support this BPI are reported monthly in J041 reports, which includes data based on units, schedules, dollars, and contracts, as well as line items. Because it is accumulated and reported at the product directorate identification code level, these reports can also be employed by the buying activity to measure contractor's performance and to identify problem contractors and the cognizant CMO for that contractor. Use these reports as needed to identify sources of problems and take corrective actions. Consider establishing further diagnostic measures to allow identification of root causes and sources of problems.

RICHARD L. VOLPE, Col, USAF
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Attachment 1**GLOSSARY OF ABBREVIATIONS***Abbreviations*

ADIS—Acquisition and Due-in System

ADR—Accelerated Delivery Request

ALC—Air Logistics Center

ASI—Amended Shipping Instruction

CMO—Contract Management Office

CAS—Contract Administration Services

CPL—Customer Priority List

DCMA—Defense Contract Management Agency

DFARS—DoD FAR Supplement

DFAS—Defense Finance and Accounting Service

DLA—Defense Logistics Agency

DoD—Department of Defense

FAR—Federal Acquisition Regulation

ISI—Initial Shipping Instruction

MILSCAP—Military Standards Contract Administration Procedures

MOCAS—Mechanization of Contract Administration Services

BPI—Business Performance Indicator

SPN—Shipment Performance Notice

Attachment 2

THE CONTRACTOR DELIVERY SURVEILLANCE PROCESS

A2.1. General. For purposes of this attachment, the contractor delivery surveillance process is defined to start with the award of a contract and end with the posting of shipment and receipt of items requiring delivery under the contract in the government data systems. There are many variations in this process which depend on the degree of involvement of buying office personnel in the process, whether or not full contract administration responsibilities are delegated to the DCMA, location of the work called for under the contract, data system requirements and capabilities, etc. The process described in this attachment, at the time of publication of this instruction, depicts the process on a typical AFMC spare parts or weapons system logistics support item procurement. A key assumption in developing this process description is that all AFMC buying offices and DCMA operational units will perform production surveillance according to their respective command prescribed procedures.

A2.2. Steps and Joint AFMC/DCMA Responsibilities of the Contractor Production Surveillance Process.

Sequential Steps	Responsible Organization	Regulatory Reference
Distribute contracts	Buying office	AFMCM 64-104 <i>Acquisition and Due-in System (ADIS) (JO41/)</i> MOCAS manual
Abstract contract to JO41	Buying office	AFMCM 64-104 (AFMC, Contracting, ADIS)
Abstract contract to MOCAS or Acquisition	DFAS and/or buying office	MOCAS manual/AFMCM
Management Information System		
Manage contract	CMO or buying office	
Screen/ review contract of contracts	All parties receiving copies	

Identify priority items by category as follows:

DFARS 242.1104

- Criticality designator A contracts Buying office
- Support delegations (generally issued from CMO
the cognizant CMO to a supporting CMO)
- Special requests Buying office
- Customer priority lists Buying office
- High risk contractors CMO or buying office
- First articles Buying office

DFARS 242.1105

Perform contractor surveillance as follows:

CMO

DCMA Directive 1

On-site surveillance: Performed on priority items. Process includes the development of a surveillance plan (usually within 30 days of contract receipt or other notification) and plant visits to assess contractor progress.

Telephonic Surveillance: Performed on all other items. Process includes the review of contract shipment due-dates using MOCAS reports, calling the contractor, and documenting the file.

Report delivery status as follows:

CMO

DCMA Directive 1/
DFARS/DoD4000.25-5-M,
DoD *MILSCAP Procedures*

Reporting of delinquencies or potential delinquencies is by the media prescribed by the buying offices. Media could be telephonic, electronic, or paper copy by FAX or US mail.

DCMA Directive 1/
DoD 4000.25-5-M

Other status reporting is by special request only, via telephone, letter, or FAX. DCMA policy is to respond by the same media from which the request for support was transmitted or as specified in the support request.

Take corrective action as follows:

Determine appropriate action
(coordinated effort)

Buying office and CMO

DCMA Directive 1/FAR/
DFARS

If delay is excusable or government caused, extend the contract delivery date.

Buying office and CMO

If delay is inexcusable and contractor caused, document contractor's lack of performance and:

FAR 49.402-3, 4, and 7

Issue contract schedule modification for consideration.

FAR 49.402-4 and 7

If delegated to CMO

CMO

If not delegated to CMO

Buying office

Or terminate contract

Buying office

FAR 49.402-3 and 7

Or contract line item

Authorize, report, and post item shipment and receipt, as follows:

Fill out DD Form 250, <i>Material Inspection and Receiving Report</i>	Contractor	DFARS Appendix F
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Accept products (sign DD Form 250)	CMO or buying office	FAR 46.501
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Distribute DD Form 250	Contractor	DFARS Appendix F
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Ship items	Contractor	Contract terms
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Report and post shipments as follows:

- Post in MOCAS generate SPN to buying office	CMO	MOCAS Manual, DoD 4000-25-5-M
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- Post shipment in J041. Options are:*	AFMCM 64-101	
Based on an SPN*	Buying office	
Based on a DD Form 250*	Buying office	

*Note either 1-or 2 is performed as required.

Post item receipt item receipt* data systems D035 and J041	DLA depot, receiving organization, or item manager	AFM 23-110, <i>USAF Supply Manual</i>
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