

**SUBPART 242.11--PRODUCTION SURVEILLANCE AND REPORTING**  
*(Revised March 23, 2005)*

**242.1104 Surveillance requirements.**

(a) The cognizant contract administration office (CAO)—

(i) Shall perform production surveillance on all contractors that have Criticality Designator A or B contracts;

(ii) Shall not perform production surveillance on contractors that have only Criticality Designator C contracts, unless specifically requested by the contracting officer; and

(iii) When production surveillance is required, shall—

(A) Conduct a periodic risk assessment of the contractor to determine the degree of production surveillance needed for all contracts awarded to that contractor. The risk assessment shall consider information provided by the contractor and the contracting officer;

(B) Develop a production surveillance plan based on the risk level determined during a risk assessment;

(C) Modify the production surveillance plan to incorporate any special surveillance requirements for individual contracts, including any requirements identified by the contracting officer; and

(D) Monitor contract progress and identify potential contract delinquencies in accordance with the production surveillance plan. Contracts with Criticality Designator C are exempt from this requirement unless specifically requested by the contracting officer.

**242.1105 Assignment of criticality designator.**

(1) Contracting officers shall—

(i) Assign criticality designator A to items with a priority 01, 02, 03, or 06 (if emergency supply of clothing) under DoD 4140.1-R, DoD Materiel Management Regulation; and

(ii) Ordinarily assign criticality designator C to unilateral purchase orders.

(2) Only the contracting officer shall change the assigned designator.

**242.1106 Reporting requirements.**

(a) See DoDI 5000.2, Operation of the Defense Acquisition System, for reporting requirements for defense technology projects and acquisition programs. Table E3.T2 of DoDI 5000.2 specifies the earned value management system (EVMS) thresholds. When an offeror proposes an EVMS plan, follow the review procedures at PGI 242.1106(a).

The Defense Acquisition Guidebook provides additional guidance on earned value management and identifies when cost/schedule status reports are applicable.

(b)(i) Within four working days after receipt of the contractor's report, the CAO must provide the report and any required comments to the contracting officer and, unless otherwise specified in the contract, the inventory control manager.

(ii) If the contractor's report indicates that the contract is on schedule and the CAO agrees, the CAO does not need to add further comments. In all other cases, the CAO must add comments and recommend a course of action.

**242.1107 Contract clause.**

(b) When using the clause at FAR 52.242-2, include the following instructions in the contract schedule—

(i) Frequency and timing of reporting (normally five working days after each reporting period);

(ii) Contract line items, exhibits, or exhibit line items requiring reports;

(iii) Offices (with addressees/codes) where reports should be sent (always include the contracting office and contract administration office); and

(iv) The following requirements for report content—

(A) The problem, actual or potential, and its cause;

(B) Items and quantities affected;

(C) When the delinquency started or will start;

(D) Actions taken to overcome the delinquency;

(E) Estimated recovery date; and/or

(F) Proposed schedule revision.

**242.1107-70 Solicitation provisions and contract clauses.**

(a) When the Government requires contractor compliance with DoD earned value management system criteria—

(1) Use the provision at 252.242-7001, Notice of Earned Value Management System, in solicitations; and

(2) Use the clause at 252.242-7002, Earned Value Management System, in solicitations and contracts.

(b) Use the clause at 252.242-7005, Cost/Schedule Status Report, in solicitations and contracts that require cost/schedule status reports (i.e., when the Contract Data Requirements List includes DI-MGMT-81467).

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(c) Use the provision at 252.242-7006, Cost/Schedule Status Report Plans, in solicitations that require cost/schedule status reports.