

March 21, 2003



Acquisition

Allegations Concerning Government
Acceptance Procedures for a
Contractor's Parts
(D-2003-065)

Department of Defense
Office of the Inspector General

Quality

Integrity

Accountability

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Acronyms

CAR	Corrective Action Request
CoC	Certificate of Conformance
DCMA	Defense Contract Management Agency
DCMC	Defense Contract Management Command
DSC	Defense Supply Center
OIG DoD	Office of the Inspector General, Department of Defense
NAVICP-M	Naval Inventory Control Point, Mechanicsburg, Pennsylvania
QAR	Quality Assurance Representative



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

March 21, 2003

MEMORANDUM FOR DIRECTOR, DEFENSE CONTRACT MANAGEMENT
AGENCY
COMMANDER, DEFENSE CONTRACT MANAGEMENT
AGENCY, PHILADELPHIA

SUBJECT: Allegations Concerning Government Acceptance Procedures for a
Contractor's Parts (Report No. D-2003-065)

We are providing this report for your information and use. We conducted the evaluation in response to a congressional request. No written response to this report was required, and none was received. Therefore, we are publishing this report in final form.

We appreciate the courtesies extended to the staff. Questions should be directed to Mr. Kenneth H. Stavenjord at (703) 604-8952 (DSN 664-8952) or Mr. Chan P. Sankhla at (703) 604-8917 (DSN 664-8917). See Appendix C for the report distribution. The team members are listed inside the back cover.

A handwritten signature in black ink, reading "David K. Steensma".

David K. Steensma
Deputy Assistant Inspector General
for Auditing

Office of the Inspector General of the Department of Defense

Report No. D-2003-065

(Project No. D2002PT-0089)

March 21, 2003

Allegations Concerning Government Acceptance Procedures for a Contractor's Parts

Executive Summary

Who Should Read This Report and Why? Civilian and military personnel at the Defense Contract Management Agency, who administer or provide oversight of contract administration services, and specifically quality assurance functions, should read this report. The report provides the results of the evaluation of allegations made by a Government contractor.

Background. Congressman Robert Andrews initially brought a contractor's allegations to the attention of the Office of the Inspector General of the Department of Defense in a February 2001 letter. The Congressman requested assistance for a small business (contractor) located in New Jersey, who reported having difficulty executing contracts through the Defense Contract Management Command (now called Defense Contract Management Agency). The contractor manufactures and supplies parts to the Government and industry.

In June 2001, the contractor requested that the Office of the Inspector General of the Department of Defense end its evaluation and close the case because most of the parts involved in the dispute with the Defense Contract Management Agency had been shipped. However, in January 2002, Congressman Andrews again asked for assistance from the Office of the Inspector General in a letter that included documentation on the contractor's problem orders. The contractor provided additional documentation on 14 specific disputes with Defense Contract Management Agency in February and March 2002. The dollar value of the purchase orders associated with the 14 disputes was \$39,593.84. The Office of the Inspector General reopened the case and evaluated the allegations.

Results. The contractor's allegations could not be substantiated and that the Defense Contract Management Agency's positions were supported by regulations in each of the 14 cases. The Defense Contract Management Agency's Quality Assurance Representatives properly performed their responsibilities of assuring the adequacy and authenticity of certifications and inspection and test reports in accordance with the Federal Acquisition Regulation and Defense Contract Management Agency policies.

Management Comments. We provided a draft of this report on January 15, 2003. No written response to this report was required, and none was received. Therefore, we are publishing this report in final form.

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Background

In a February 19, 2001, letter (see Appendix B), Congressman Robert Andrews requested that the Office of the Inspector General of the Department of Defense (OIG DoD) provide assistance to the owner of a small business in New Jersey, that manufactured and supplied parts to the Government. The contractor reported having problems executing contracts with the Defense Contract Management Command (DCMC) dating back to October 1999. However, on June 7, 2001, the contractor informed the OIG DoD that most of the parts that had been in dispute had been shipped, and requested that the case be closed. The OIG DoD informed Congressman Andrews that the case had been closed at the request of the contractor.

On September 14, 2001, Congressman Andrews stated in his letter to OIG DoD that the contractor was not pleased that the case had been closed and had submitted a letter of rebuttal to the congressman's office. In an October 25, 2001, letter, the technical director of the Technical Assessment Division in the OIG DoD requested the contractor to send documentation relevant to the allegations against DCMC. On December 21, 2001, the OIG DoD informed the congressman that the case was closed, since the contractor had failed to provide the promised documentation.

On January 14, 2002, Congressman Andrews forwarded the documents he received from the contractor to the OIG DoD. Further documentation on 14 specific disputed orders followed from the contractor in February and March 2002. The dollar value of the purchase orders associated with the 14 disputes was \$39,593.84. The OIG DoD announced the evaluation on February 22, 2002.

Defense Contract Management Agency. On March 27, 2000, DCMC was established as a separate agency and renamed as the Defense Contract Management Agency (DCMA). In December 1973, DCMA Philadelphia was established to provide contract administration services for military supply contracts in Philadelphia, New Jersey, and Delaware. The DCMA is the DoD Component that works directly with Defense suppliers to help ensure that Government supplies and services are delivered on time, at projected cost, and meet all performance requirements. DCMA performs oversight of contractors' processes to assess and assure compliance with contractor quality and technical requirements. DCMA Quality Assurance Representatives (QARs) are Level II certified quality assurance specialists.

The Contractor. The contractor's firm, established in 1985, is a small, woman-owned business that manufactures and supplies parts to the Government and industry. The contractor manufactures military spare parts for existing equipment and supplies small quantities of materials in 137 different Federal Supply Classes. Manufactured and supplied spare parts include machined parts and assemblies, sheet metal products, steel rule die cut gaskets and seals, electrical cable and harness assemblies, mechanical cable assemblies and slings, hydraulic and pneumatic pipes, tubing and hose assemblies and complex electro-mechanical assemblies. The contractor reported that the problems with DCMA started in October 1999 when a new QAR was assigned to the company.

Objectives

The objective of the evaluation was to review the allegations concerning Government acceptance procedures used by the DCMA Philadelphia QARs for the parts supplied by a contractor. We also reviewed the timeliness of the QAR inspection and quality assurance procedures used for inspecting the contractor's parts. See Appendix A for a discussion of the scope and methodology.

Defense Contract Management Agency's Acceptance Procedures for a Contractor's Parts

The contractor's allegations were unsubstantiated, and the DCMA positions were supported by regulations in each of the 14 cases that we reviewed. The DCMA QARs properly performed their responsibilities of assuring the adequacy and authenticity of certifications and inspection and test reports in accordance with the Federal Acquisition Regulation and DCMA policies. We also determined that a poor working relationship existed between DCMA representatives and the contractor. Each side accused the other of inappropriate, inflammatory statements.

Responsibilities of Quality Assurance Representatives

The DCMA QARs review contractors' manufacturing, production, and quality assurance processes, and inspect products that the contractor presents for Government acceptance. When a buying organization assigns DCMA the responsibility of inspecting and accepting parts at origin, the QARs conduct their inspections in accordance with the FAR; DCMA instructions, such as the One Book; quality technical information papers; and requirements specified by the buying organization. The buyers' requirements are specified in their contracts, which include or refer to drawings and specifications. Waivers and deviations to a buyer's requirements must be processed by the contractor with the buyer in accordance with procedures identified in the contract. The QARs ensure that the Government accepts only those products that meet the explicit, contractual requirements of the buying organization.

The Contractor's Allegations

The contractor's allegations included instances of fraud, waste, and abuse in Government contracting; willful destruction of Government property; falsification of Government forms; restriction of competition in Government contracting; failure to comply with contractual requirements; imposing quality requirements beyond the scope of a Government contract; encouragement to falsify certifications on Government contracts; encouragement to supply defective goods on Government contracts; restriction of trade; unnecessary delays in the supply of DoD materials; and intimidation, threats, and abuse. When requested to substantiate the allegations, the contractor submitted documentation on 14 cases. We reviewed the 14 cases with the contractor and DCMA personnel. A summary of the allegations and our evaluation results follows.

Case 1. Water Pump Hold Down Clamp Assembly.

Allegation. The QAR apparently lacked the skill to interpret the drawing/technical data package. The QAR created an environment, which caused the termination of the order.

Results. The allegation was not substantiated. The requirement was to produce parts according to the dimensions specified in the drawing, but the contractor failed to meet the requirement.

On March 20, 2000, the Defense Supply Center (DSC) Columbus placed an order with the contractor for the purchase of four water pump, hold-down clamp assemblies, valued at \$643.24, and required the contractor to deliver the items by July 18, 2000. The DSC Columbus canceled the purchase order on September 21, 2000, because the ordered parts were not delivered on time. A drawing was provided with detailed dimensions of the assembly parts. A review of the drawing and statement of events provided with the contractor's documents indicated that the required width of one of the parts of the assembly (bridge) was 0.88 inch, but the contractor's fabricated part was 1 inch wide. The QAR rejected the part because the width was not to the dimension specified in the drawing.

Case 2. Catch Plate, Weldment

Allegation. The QAR demanded material certifications beyond the scope of the purchase order, which resulted in the cancellation of the order.

Results. The allegation was not substantiated. The contractor did not provide a complete Certificate of Conformance (CoC) to ensure material traceability. The requirements for QAR review of traceability are specified in Defense Supply Agency Manual (DSAM) 8200.1.

On March 6, 2000, DSC Columbus placed a purchase order, valued at \$409.98, with the contractor for two catch plate, weldments that were to be delivered by July 4, 2000. DSC Columbus canceled the order on May 3, 2001, because the parts were not delivered on time. A drawing provided dimensions of the part, a material list, and notes on the surface finish and welding requirements. At the time that the parts were inspected, the QAR refused to accept them because the material certification format failed to provide the required information. The QAR cited DSAM 8200.1, Part 2, Paragraph 5-202, Statements of Quality which states "...Acceptable statements of quality should identify completely the material or item by lot number, production date, or item serial number, state the specification or drawing number, revision, and date, the grade, type, or value for which the product was inspected..." The QAR stated that it was a standard practice of the steel distributors to issue a CoC that provided all relevant information concerning the source of material, chemical composition, and physical and mechanical properties. The contractor presented a steel distributor's certificate that did not contain the required information. On May 3, 2001, DSC Columbus canceled the order, because the parts were not delivered by the due date.

Case 3. Throttle Bracket Assembly

Allegation. The QAR lacked the experience in manufactured items to understand the supply of commercial sheet stock to commercial specifications, and demanded material certifications beyond the scope of the order, which resulted in the cancellation of the order.

Results. The allegation was not substantiated. The QAR assigned to perform quality assurance at the contractor facility was Level II certified in the quality assurance processes as required. The contractor did not provide a complete CoC to ensure material traceability according to the requirement specified in DSAM 8200.1.

On December 1, 1999, DSC Columbus placed an order; valued at \$375.00, with the contractor for one throttle bracket assembly. The delivery date was March 30, 2000. On June 5, 2001, DSC Columbus canceled the order due to the contractor's inability to provide required certifications by the modified September 25, 2000, delivery date. The part was to be fabricated according to drawing numbers 845031C2000 through 2003. The drawings specified bracket assembly material as H.R.S. ASTM A 36, 0.075 inch thick x 1.75 inches wide strip and 0.048 inch thick x 0.75 inch wide strip. But the contractor purchased two ASTM A 366 steel pieces of the size 12 inches x 12 inches and 14-gage and 18-gage thickness from a steel distributor. The contractor provided a CoC signed by the president of the steel distributor company certifying that the steel pieces were ASTM A 366 carbon steel. Upon inspection, the QAR issued a Quality Deficiency Record stating that the drawings required material to be A 36. In addition, the material certification was unacceptable because it failed to list the heat number, chemical and physical requirements, and name of the certifying official.

Case 4. Shoulder Bolt

Allegation. The QAR demanded inspection equipment beyond the scope of the order. The result was that the DoD buying organization had to remove DCMC from the order to get the bolt.

Results. The allegation was not substantiated. The contractor did not provide thread measurement tools to the QAR for inspection of threads as specified in the drawing.

On September 27, 2000, the Naval Inventory Control Point, Mechanicsburg (NAVICP-M), Pennsylvania, ordered one special (17mm diameter x 67 mm length) shoulder bolt, valued at \$445.00. On March 14, 2001, NAVICP-M issued a Modification of Contract document that changed the place of inspection and acceptance to destination and extended the delivery date from November 27, 2000, to April 20, 2001. On March 19, 2001, the part was shipped to the new destination. The shoulder bolt drawing (No. 5520293) provided precise specifications and information on material, plating, and applicable standards for threads (FED-STD-H28) and quality (FF-S-85) in nine notes. The QAR could not test the part according to the testing requirement specified in FF-S-85, because the contractor did not provide specified measuring tools and equipment. The contractor cited FED-STD-H28/20B, Paragraph 5.1.6 "Small Lot and

Nonstandard Size Part Considerations,” which stated in part: “When gages...are not economically feasible...other measuring equipment may be agreed upon by the parties involved.” However, the parties involved did not agree on an alternative method or tools for inspecting the shoulder bolt. Therefore, the QAR requested the gages in accordance with the requirements stated in the drawing.

Case 5. Winch Assembly

Allegation. The QAR inappropriately refused to inspect the winch until all of its components were inspected before assembly. The company had to tear the assemblies apart because the QAR insisted upon in-process inspection and did not accept their in-process inspection reports. The contractor had to submit to “in-process inspection” for each piece part, every step of the way.

Results. The allegation was not substantiated. The QAR followed a FAR clause that allowed the Government inspection at any stage of manufacturing. The parts were eventually accepted.

On March 10, 2000, DSC Columbus placed a purchase order for one hand-operated winch assembly valued at \$909.54. The delivery date was July 8, 2000. On March 17, 2000, DSC Columbus placed another purchase order for seven more hand-operated winch assemblies that were to be delivered by August 4, 2000, with a dollar value of \$6,265.00. The QAR performed in-process inspection of the assembly parts on June 27, 2000, in accordance with the following FAR clause and signed off on the assemblies after inspection. The FAR Subpart 46.4, Government Contract Quality Assurance, Paragraph 46.401 General (a) states in part, “Government contract quality assurance shall be performed at such times (including any stage of manufacture or performance of services) and places (including subcontractors’ plants) as may be necessary to determine that the supplies or services conform to contract requirements....”

Case 6. Hydraulic Cylinders

Allegation. The QAR refused to accept material based on “reference information” used by the manufacturer for part identification.

Results. The allegation was not substantiated. The information presented to the QAR at the time of inspection did not match the requirement specified in the purchase order, so the QAR asked for clarification. When the buying organization issued a Modification of Contract that clarified the part number, the QAR accepted the parts.

On April 4, 2001, NAVICP-M, Pennsylvania ordered six hydraulic cylinders, valued at \$3,860.94, for delivery by July 3, 2001. Drawing No. PS2-12119 provided specifications of the hydraulic cylinder. The drawing highlighted Part No. PS2-12119-2, STYLE: C/2/3.75/2/1/4J/2 and PART IDENTIFICATION: Manufacturer’s Standard. The contractor did not manufacture the hydraulic cylinders but purchased the ordered quantity from a vendor. The QAR stated that the original information shown to him by the contractor did not match the requirements specified in the purchase order, and the accompanying certificate had a completely different part number. So the QAR verbally asked the

contractor for clarification. On August 24, 2001, the NAVINCP-M issued a Modification of Contract document for the part, approved the vendor, and also changed the delivery date to September 28, 2001. After the contract modification order clarified the situation, the QAR accepted the parts.

Case 7. Stainless Steel Shaft

Allegation. The QAR rejected acceptable materials.

Results. The allegation was not substantiated. The contractor produced parts that did not meet the material and dimensional specifications provided on the drawing. The QAR rejected the shafts because the parts were out of tolerance and also were not stamped as required.

On October 19, 1999, DSC Columbus placed an order with the contractor to supply three stainless steel Class 302 Condition A shafts, valued at \$561.06, manufactured according to drawing No. 2662333 by February 16, 2000. The shafts were also required to pass Product Verification Testing before acceptance. The QAR inspection reports state that the drawing required shaft material to be QQ-S-763 Class 302 Condition A. The contractor purchased Class 304 stainless steel, had it recertified to Class 302, and stamped wrong part numbers on the shafts. Additionally, the 0.375 inch diameter on three shafts inspected were up to 0.003 inch under size and up to 0.0015 inch over size, and the 0.4997 inch diameter was up to 0.0004 inch under size. The Product Testing Center in Columbus also tested the shafts. The Product Verification Testing report stated that some shafts did not meet the concentricity requirement. On April 4, 2001, the contractor wrote a letter to DSC Columbus admitting that some parts were out of tolerance and requested a one-time deviation or waiver. DSC Columbus did not issue a waiver and, on January 12, 2002, canceled the order.

Case 8. Terminal Lug

Allegation. The QAR demanded “Commercial Certifications” on one order, and then demanded “Military Certifications” on the next order for the same part.

Results. The allegation was not substantiated. The QAR refused to accept obsolete parts offered by the contractor that did not meet the commercial certification requirement of the purchase order.

On April 17, 2000, DSC Richmond placed an order for four terminal lugs, valued at \$198.04, to conform to commercial specification (SAE AS 7928/4 Type No. P/N/ M7928/4-117) and required that the parts be delivered by June 16, 2000. On May 15, 2001, DSC Richmond placed another order for eight terminal lugs, valued at \$226.08 with the same commercial specification for delivery by July 14, 2001. On May 5, 2000, the contractor wrote a letter to DSC Richmond stating that the QAR refused to accept the terminal lugs because there was no reference to AS 7928/4 on the CoC, and requested DSC Richmond to modify the order to include AS 7928/4 Alt Mil-T-7928/4. DSC Richmond denied the contractor’s request and stated that the material was unacceptable because the parts offered were obsolete. A review of the two DSC Richmond purchase orders by the OIG DoD team revealed that both orders required the terminal lugs to conform to the

same commercial specifications: SAE AS 7928/4, Type No. P/N M7928/4-117. For the first order, the contractor offered obsolete terminal lugs that conformed to a military specification that was canceled on August 31, 1999. When reminded, the contractor filled both orders with the terminal lugs that conformed to the commercial specifications specified in the purchase orders.

Case 9. Detent Pin

Allegation. The QAR demanded “Full Form” certifications when they were not required.

Results. The allegation was not substantiated. The contractor did not provide a material certificate that met the requirement of the purchase order.

On August 13, 2001, NAVINT-M placed an order for 10 detent pins, valued at \$1,036.50, for delivery by December 31, 2001. Drawing No. 5652276 was attached with the order to provide dimensions and material specifications (ASTM B 150-80, Al Bronze, Copper Alloy C62400 Cond HR50, 0.50 inch diameter rod). In his inspection report, the QAR stated that the material certificate was not acceptable, because the mill that produced the material did not issue the certificate. The certificate presented failed to list the condition of the material and did not state whether it met the yield strength requirement. The QAR stated that the rationale for demanding a Full Form certificate of conformance for material was to ensure that the material met the requirement and that no substandard material was used. However, the contractor contended that the information on the yield strength was not required and that the first folder given to the QAR contained a wrong certificate. A January 10, 2002, NAVICP-M Modification of Contract deleted the Government source inspection requirement and allowed the parts to be shipped to the destination for inspection.

Case 10. Special Purpose Cable Assembly

Allegation. The QAR demanded thread gages for connector back shells.

Results. The allegation was not substantiated. The contractor did not provide the gages for measuring threads on the adapter cable and the nut in accordance with the requirements specified in the Handbook, FED-STD-H28, Screw-Thread Standards for Federal Services.

On September 30, 2001, DSC Richmond placed an order, valued at \$2,610.00, for three special-purpose cable assemblies for delivery by February 17, 2002. The QARs performed in-process inspection on November 20, 2001, and rejected the contractor’s submission as the required go-no go ring and plug gages were not provided for inspection. The FED-STD-H28 Handbook addresses small lots and odd sizes as follows. “When gages...are not economically feasible...other measuring equipment may be agreed upon by the parties involved.” The contractor and the QAR did not have an agreement on an alternative inspection method. The contractor complained to DSC Richmond that the adapter threads were verified and accepted by using pitch micrometer, thread wires, an outside diameter micrometer for the “A” threads, and inside micrometers and thread pitch gages for the “B” threads, but the QAR rejected the parts. In response, DSC

Richmond issued a Modification of Contract that deleted source inspection. The contractor shipped the parts to DSC Richmond on January 29, 2002.

Case 11. Electrical Contact Pins

Allegation. The QAR rejected acceptable material.

Results. The allegation was not substantiated. The contractor did not provide the gages for measuring hole diameters, so the QAR could not check the dimensions and therefore rejected the parts.

On April 11, 2000, NAVICP-M placed an order with the contractor to supply 51 contact pins, valued at \$2,422.50, by August 29, 2000. Several DoD and military standards were cited and drawing No. 11897, dated April 10, 1986, was also attached with the order. The drawing provided dimensions and eight notes detailing information on material (beryllium copper), heat treatment, finish, and plating requirements. The QAR inspected six contact pins on August 16, 2000, recorded two deficiencies in the Corrective Action Request (CAR), and asked the contractor to rectify the defects. On August 16, 2000, the QAR issued a Quality Assurance Representative's Correspondence, which stated that the contractor did not have proper gages for measuring the dimensions of the pins, and that he must have the capability of measuring all dimensions specified in Government drawings. On September 12, 2000, the contractor requested another in-process inspection. On October 2, 2000, the QAR visited the contractor, performed final inspection, and accepted the lot.

Case 12. Roller-Housing Assembly

Allegation. The QAR required processes beyond the scope of the order and specifications and rejected acceptable parts.

Results. The allegation was not substantiated. The QAR did not require processes beyond the scope of the purchase order. DoD-P-16232F, paragraph 3.8, Dimensions of Coated Items, requires that dimensions of the item comply with the drawing requirements before phosphate coating and comply with dimensional requirements of the drawing, with allowance for the phosphate coating buildup.

On October 31, 2000, the NAVICP-M placed an order with the contractor to supply five roller-housing assemblies, valued at \$7,607.75, by April 30, 2001, and on January 18, 2001, another order for two additional roller-housing assemblies, valued at \$6,780.62, with a delivery date of June 27, 2001. Drawing No. 5209533 for clip, belt and drawing No. 5209532 for belt assembly provided the dimensional and coating requirements. On May 29, 2001, the QAR prepared a CAR stating that parts were already phosphate coated and that parts measurements must be taken before coating. A July 2, 2001, CAR stated that two holes were slightly oversized. The contractor admitted that the holes were oversized and ordered new parts. On July 24, 2001, the QAR signed off on five roller assemblies and, on August 1, 2001, signed off on the remaining two assemblies.

Case 13. Knife Assembly

Allegation. The QAR abused his power to deliberately delay shipment for 3 months.

Results. The allegation was not substantiated. Several factors contributed to the delay of the shipment. The contractor started assembly work late, approximately 3 weeks after the expected delivery date. When the QAR inspected the knife assemblies, he found some of the parts were assembled incorrectly. The QARs did not visit the contractor to inspect the corrected assemblies until an agreement was reached on the contractor's point of contact for quality related issues.

On June 7, 2001, NAVICP-M placed an order with the contractor to supply 20 knife assemblies, valued at \$3,114.30, by October 25, 2001. On December 19, 2001, the QAR inspected the assemblies and prepared a CAR that stated that four of six knife assemblies inspected were assembled the wrong way. The contractor wrote a letter to NAVICP-M admitting the mistakes, but stated that the mistakes were corrected while the QAR was still writing the CAR. But the QAR did not inspect the corrected assemblies. A review of the documents indicated that although the assembly delivery date was October 25, 2001, the contractor did not start assembling the knives until November 13, 2001, and requested the first inspection for December 13, 2001, which was approximately 6 weeks past the delivery date. The QAR explained that he could not stay in the plant on December 19, 2001, while the two inspected assemblies were being corrected because he had other obligations. On January 3, 2002, two QARs returned to inspect the knife assemblies but left without inspecting the assemblies following a confrontation. The inspection issue was later resolved. After an agreement was reached and the contractor's point of contact for quality control issues was signed, the knife assemblies were inspected. The parts were shipped on February 11, 2002.

Case 14. Red and Blue Insulation Sleeveings

Allegation. The QAR lacked the training, or initiative, to evaluate a Specification Control Drawing.

Results. The allegation was not substantiated. The QAR was trained to evaluate a Specification Control Drawing and pointed out a deficiency in the CoCs provided by the contractor.

On March 15, 2000, NAVICP-M placed an order with the contractor for 1,750 red insulation sleeveings and 1,181 blue insulation sleeveings, valued at \$1,694.29, to be delivered by July 13, 2000. On October 19, 2000, NAVICP-M placed another order for 200 blue insulation sleeveings, valued at \$434.00, with a delivery date of January 17, 2001. On August 10, 2000, the QAR issued a CAR stating that the CoCs from the two suppliers were insufficient because they failed to list whether the parts satisfied Ordinance Spec. OS 12421 requirements. When the contractor complained, NAVICP-M issued a modification on November 22, 2000, directing that parts be inspected at the destination.

Working Relationship

Although the DCMA representatives' actions were supported by regulations, there was a poor working relationship between DCMA representatives and the contractor. Each side accused the other of inappropriate, inflammatory statements. The relationship had deteriorated to such an extent that on one occasion the QARs left the contractor's facility following a confrontation. Subsequently, the contractor signed an agreement with DCMA on February 6, 2002, stating that the contractor's Quality Control Manager was designated as the sole point of contact to deal with the quality related issues between the two organizations.

Summary

The contractor presented documentation on 14 cases that the contractor chose to support the allegations. We evaluated the 14 cases and discussed them with DCMA and contractor personnel. The contractor's allegations were not substantiated and the DCMA positions on each case were supported by regulations.

Appendix A. Scope and Methodology

We reviewed documentation pertaining to the 14 specific disputes that the contractor sent to the OIG DoD. The dollar value of the purchase orders associated with the disputes was \$39,593.84. We reviewed the FAR and DCMA policy on Quality Assurance of the Government parts and supplies. We visited Headquarters DCMA, DCMA Philadelphia, and the contractor's facility to obtain information and documentation relative to the allegations.

We performed this evaluation from February 22, 2002, through September 16, 2002, according to standards implemented by the Inspector General of the Department of Defense. We did not review management controls because our scope was limited to a review of the allegations.

General Accounting Office High-Risk Area. The General Accounting Office has identified several high-risk areas in DoD. This report provides coverage of the Contract Management high-risk area.

Prior Coverage

No prior coverage has been conducted on the Government Acceptance Procedures for parts supplied by this contractor during the last 5 years.

Appendix B. Congressional Request

ROBERT E. ANDREWS FIRST DISTRICT, NEW JERSEY COMMITTEES: EDUCATION AND THE WORKFORCE SENATOR PLANNING DEMOCRAT, SUBCOMMITTEE ON EMPLOYER-EMPLOYEE RELATIONS MEMBER, SUBCOMMITTEE ON POSTSECONDARY EDUCATION, TRAINING AND SKILLS LEARNING ARMED SERVICES MEMBER, SUBCOMMITTEE ON MILITARY RESEARCH AND DEVELOPMENT MEMBER, SPECIAL OVERSIGHT PANEL ON MORALE, WELFARE AND RECREATION	Congress of the United States House of Representatives Washington, DC 20515-3001	<small>PLEASE REPLY TO:</small> <input type="checkbox"/> 2439 RAYBURN BUILDING WASHINGTON, DC 20515 (202) 225-6531 <input type="checkbox"/> 506-A WHITE HORSE PIKE HADDON HEIGHTS, NJ 08035 (856) 546-5100 <input type="checkbox"/> 63 NORTH BRAD STREET WOODBURY, NJ 08599 (609) 868-3900 <small>E-MAIL: rob.andrews@mail.house.gov</small>
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February 19, 2001

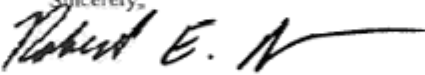
Mr. Robert Lieberman, Deputy Inspector General
Department of Defense - Inspector General
400 Army Navy Dr
Arlington, VA 22202-2885

Dear Mr. Lieberman:

I write to you on behalf of [REDACTED]
[REDACTED] NJ [REDACTED], who has contacted my office for assistance. Enclosed, please find
correspondence regarding the problems he has been having with the Defense Contract
Management Command. [REDACTED] wants the Defense Contract Management Command Quality
Assurance Representative to stop delaying his ability to fulfill his contracts. You will find more
detailed information in [REDACTED] correspondence.

I ask that you afford [REDACTED] all due consideration in this matter under the law. In
addition I would be interested in receiving your review and reply to this correspondence so that I
may advise my constituent accordingly.

Please forward your response to the attention of my assistant, Miah Crosby, at 506A White
Horse Pike, Haddon Heights, NJ 08035, (856) 546-5100. Thank you in advance for your time and
consideration.

Sincerely,

Robert Andrews
Member of Congress

REA:mc

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Note:
Contractor
Information
omitted by
request.

Appendix C. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)/Chief Financial Officer
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)

Department of the Army

Assistant Secretary of the Army (Financial Management and Comptroller)
Auditor General, Department of the Army

Department of the Navy

Naval Inspector General
Auditor General, Department of the Navy

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force

Other Defense Organizations

Director, Defense Contract Management Agency
Director, Defense Contract Management Agency, Philadelphia

Non-Defense Federal Organization

Office of Management and Budget

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on Government Efficiency, Financial Management, and Intergovernmental Relations, Committee on Government Reform
House Subcommittee on National Security, Veterans Affairs, and International Relations, Committee on Government Reform
House Subcommittee on Technology and Procurement Policy, Committee on Government Reform

Honorable Robert E. Andrews, U.S. House of Representatives

Team Members

The Audit Followup and Technical Support Directorate, Office of the Assistant Inspector General for Auditing of the Department of Defense prepared this report. Personnel of the Office of the Inspector General of the Department of Defense who contributed to the report are listed below.

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