



Highlights of [GAO-05-73](#), a report to the Senate and House Subcommittees on Defense, Committees on Appropriations

Why GAO Did This Study

In the 2004 Defense Appropriations Act, Congress mandated that GAO examine and report on the oversight of prime contractors by the Department of Defense (DOD) and the oversight of subcontractors by the prime contractors. Contract quality assurance oversight is intended to assess whether contractors are capable of and are providing supplies or services that meet contract quality and technical requirements. Providing effective oversight is challenging. DCMA recognizes that the risk of nonconforming parts reaching end users exists, given the diversity of contracts, parts, and products used to meet weapon systems requirements and uses a risk management process to guide its efforts. For fiscal year 2003, government quality assurance oversight was required for approximately 273,000 contracts. GAO determined (1) whether DOD provided quality assurance oversight and enforcement over its spare parts prime contractors, (2) if prime contractors provided quality assurance oversight over their subcontractors, and (3) how DOD held prime contractors accountable for overseeing the subcontractors' work. To address these objectives, GAO judgmentally selected and reviewed 15 contracts awarded to 11 prime contractors by the services and the Defense Logistics Agency.

In commenting on a draft of this report, DOD provided one technical comment, which GAO incorporated as appropriate.

www.gao.gov/cgi-bin/getrpt?GAO-05-73.

To view the full product, including the scope and methodology, click on the link above. For more information, contact William M. Solis at (202) 512-8365 or solisw@gao.gov.

DEFENSE INVENTORY

DOD and Prime Contractors Adhered to Requirements in Selected Contracts for Overseeing Spare Parts Quality

What GAO Found

GAO's review of the 15 contracts showed that quality assurance personnel within the Defense Contract Management Agency (DCMA)—DOD's primary organization for providing quality assurance oversight—generally followed established policies, guidance, regulations, and contract requirements in performing oversight and enforcement over spare parts prime contractors. This oversight ranged from conducting physical inspection of parts, such as testing the measurements and functions of a part to evaluating contractor production processes to observing the outer appearance and counting the number of parts for compliance with contract requirements. When one of the prime contractor's processes and another contractor's parts did not meet contract requirements, DCMA used its enforcement system by issuing requests for corrective action by the prime contractors.

GAO found that the 11 prime contractors reviewed provided quality assurance oversight over their subcontractors' work in accordance with industry standards and contract requirements. The contractors used at least two and up to four methods in providing quality assurance oversight over their subcontractors. These methods included evaluating potential subcontractors for placement on an Approved Supplier List, requiring certifications of parts and processes, testing parts and processes, and tracking and monitoring subcontractor's performance. The primary methods of oversight were evaluating subcontractors for placement on an Approved Supplier List and requiring certifications that parts and processes conform to contractual specifications. Establishing an Approved Supplier List served to identify subcontractors capable of producing needed parts or processes in accordance with industry standards and contractual specifications.

In GAO's review of the 15 contracts, DCMA held prime contractors accountable for their subcontractors' work by requiring that the prime contractors adhere to contract clauses concerning oversight responsibility. Most of the contracts included either clauses stating that the prime contractor shall provide supplies that conform to contract requirements or clauses related to other quality requirements. When nonconformance was reported, DCMA quality assurance personnel and the prime contractor determined if the deficiency was due to contractor nonconformance and assigned responsibility for corrective action. GAO identified one deficiency from the 15 contracts that the prime contractor was responsible for and DCMA held the prime contractor accountable for the part.

While GAO did not identify any major deficiencies from the contracts and practices it reviewed, GAO recognizes that the risk of nonconforming spare parts reaching end users exists. Compliance by contractors, DCMA, and other DOD agencies with established internal controls helps mitigate against this risk.