Audit Report

OFFICE OF THE INSPECTOR GENERAL

QUICK-REACTION REPORT ON THE REVIEW OF THE RESTRICTIVE CONTRACT CLAUSE ON ANTIFRICTION BEARINGS

Report Number 92-067

April 3, 1992

Department of Defense

Office of the Inspector General, DoD

REPORT NO. 92-067 (Project No. 2CF-5002) **April 3, 1992**

FINAL QUICK-REACTION REPORT ON THE REVIEW OF THE RESTRICTIVE CONTRACT CLAUSE ON ANTIFRICTION BEARINGS

PROJECT 2CF-5002

EXECUTIVE SUMMARY

Introduction. In 1988, the Secretary of Defense imposed "Buy American" restrictions on defense procurements for antifriction bearings, to help prevent erosion of the United States ball bearings industry. The restrictions were to end on September 30, 1991. On September 24, 1991, the House Committee on Armed Services (Panel on Future Uses of Defense Manufacturing and Technology Resources) held a hearing concerning a previous audit report on the failure of the DoD to fully implement those restrictions and the need to extend them. The Principal Deputy Assistant Secretary of Defense for Production and Logistics testified that DoD would extend the restrictive clause until December 31, 1992. Based on the concerns of the panel, we initiated a follow-up audit of the DoD compliance with the restrictive clause.

Objectives. The objectives of the audit were to determine whether DoD contracting officers properly included the restrictive clause in contracts pertaining to antifriction bearings and if defense contractors complied with the clause, as specified in the Defense Federal Acquisition Regulation Supplement 252.208-7006, "Required Sources for Antifriction Bearings."

Audit Results. We found that compliance had improved since FY 1989; however, in FYs 1990 and 1991, DoD contracting officers still did not always include the antifriction bearings restrictive clause in contracts, as required. In our sample, 40 of the 100 contracts awarded by the Army and Navy lacked the required clause. Only 3 of 55 contracts awarded by the Air Force and Defense Logistics Agency lacked the clause. We also determined that, when the clause was included in contracts, Defense Contract Management Command officials did not verify that contractors provided domestically manufactured bearings. The continued lack of full compliance with the imposed restrictions diminishes the effect of the regulation and makes it difficult to assess the benefits derived from the restrictions.

Internal Controls. We did not specifically examine internal controls during this review.

Potential Benefits of Audit. We did not identify any potential monetary benefits during the audit (Enclosure 6). However, we did identify opportunities to improve compliance with laws and regulations.

Summary of Recommendations. We recommended that the Army and Navy buying commands immediately establish specific procedures, objectives, and controls to verify that all contracts for antifriction bearings include the required restrictive clause. We also recommended that the Defense Contract Management Districts use administrative procedures established in the Defense Logistics Agency Manual to verify contractor compliance with the restrictive clause.

Management Comments. During the audit, officials of the U.S. Army Tank-Automotive Command, the Navy Ships Parts Control Center, the Navy Aviation Supply Office, and the U.S. Marine Corps Logistics Base, Albany, Georgia, initiated immediate corrective actions to include the restrictive clause in contracts for antifriction bearings. The full details of these actions are included in Enclosure 5 of the report.

The Army concurred and stated that, rather than focus solely on the antifriction bearings restrictive clause, contracting activities would be reminded of their responsibility to ensure that each contract awarded contains all required clauses. The Navy concurred and issued guidance to all buying commands requiring establishment of procedures to incorporate the restrictive clause in contracts. The Defense Logistics Agency concurred and was issuing guidance and establishing procedures for administering the restrictive clause and reviewing subcontracts to determine if administrative remedies were appropriate for subcontractor use of foreign bearings. Additional comments to the final report were not required. The complete text of management comments is provided in Enclosures 1, 2, and 3 of the report.

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884

REPORT
NO. 92-067

April 3, 1992

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (PRODUCTION AND LOGISTICS)
ASSISTANT SECRETARY OF THE ARMY (FINANCIAL MANAGEMENT)
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL MANAGEMENT)
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL MANAGEMENT AND COMPTROLLER)
DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Final Quick-Reaction Report on the Review of the Restrictive Contract Clause on Antifriction Bearings (Project No. 2CF-5002)

Introduction

On October 1, 1991, we initiated a follow-up audit of the Restrictive Contract Clause on Antifriction Bearings. The objectives of the audit were to determine whether DoD contracting officers properly included the restrictive clause in contracts pertaining to antifriction bearings and if defense contractors complied with the clause, as specified in the Defense Federal Acquisition Regulation Supplement (DFARS) 252.208-7006, "Required Sources for Antifriction Bearings." We found that the Army, Navy, and Defense Logistics Agency did not fully implement or enforce the clause in those contracts awarded during FYs 1990 and 1991. As a result of the audit, the Army, Navy and the Defense Logistics Agency instituted actions intended to ensure the clause is included in contracts and enforced. This report is being issued in response to congressional concerns over the continued failure of the DoD to fully implement and enforce the clause, and to help prevent further deterioration of the domestic industrial base for antifriction bearings.

Scope of Audit

We judgmentally selected 155 contracts for direct purchase of antifriction bearings or components containing antifriction bearings that were issued in FYs 1990 and 1991. The 155 contracts had a combined value of $2.9 billion. We conducted our review at 11 DoD procurement offices to determine if contracting officers incorporated the DFARS antifriction bearing clause in the contracts. We analyzed 16 of the 155 contracts and 8 additional contracts from the Defense Industrial Supply Center

(DISC) to determine if Defense Contract Management Command (DCMC) officials were enforcing the certification requirement. To accomplish this, we performed the audit at five Defense Contract Management Area Operation offices. We also reviewed clause enforcement in one major weapon system contract that contained the clause, to determine if prime contractors and their subcontractors were complying with clause requirements.

We did not specifically evaluate internal controls. We did note, however, that internal control objectives and techniques were not established to verify that the restrictive clause was included in contracts for antifriction bearings. We used the "Individual Contract Action Report" (DD Form 350), a computer-processed database of contract actions over $25,000, to make our initial selection of contracts for review. We did not evaluate the reliability of the data because it was used primarily to select contracts to be included in our review. The reliability of the data would not affect the audit results.

This program results audit was conducted between October and December 1991 and covered contract actions and supporting documentation from October 1989 through December 13, 1991. Except as noted, the audit was performed in accordance with government auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. The activities visited or contacted are listed in Enclosure 7.

Background

In 1986, the Joint Logistics Commanders performed a study titled, "Joint Logistics Commanders Bearing Study," which stated that the American antifriction bearing industry is critical to national security. The study also stated that the capability to domestically manufacture these bearings would disappear as a result of intense foreign competition. In an effort to remedy the problem, the Secretary of Defense imposed "Buy American" restrictions on defense procurements for antifriction bearings.

An interim rule to the DFARS issued in August 1988 required that all DoD procurements of bearings, bearing components, or bearings in noncommercial end items be purchased from domestic manufacturers. In addition, this same interim rule required contractors to furnish written certifications that the bearings, bearing components, or bearings contained in end items procured, were of domestic manufacture. These certifications were required upon delivery of the bearings to the DoD. The rule was incorporated into DFARS 208.79, which required that DFARS clause 252.208-7006, "Required Sources for Antifriction Bearings," be included in all applicable contracts. The clause, effective July 11, 1989, was to be in force until September 30, 1991.

On September 24, 1991, the DoD Assistant Inspector General for Auditing testified before the House Committee on Armed Services (Panel on Future Uses of Defense Manufacturing and Technology Resources) concerning our prior audit report, "Restrictive Contract Clauses on Antifriction Bearings," Report No. 91-038, dated January 30, 1991. The report found that the "Buy American" restrictive clause was not included in 68 percent of the contracts awarded in FYs 1988 and 1989. The restrictive clause should have been included in these contracts because the contracts required the purchase of antifriction bearings. The audit further disclosed that when the clause was included in the contracts, contractors rarely certified that bearings were domestically manufactured. Based on the concerns of the panel, Congress enacted legislation for FY 1992 requiring domestic procurement of antifriction bearings in accordance with the existing DFARS clause. In addition, DoD extended the clause until December 31, 1992, and we initiated a follow-up audit of the DoD implementation and enforcement of the clause at the specific request of Congressman John Spratt during the hearing.

Discussion

Evaluating DoD compliance. We found that compliance had improved since FY 1989; however, in FYs 1990 and 1991, DoD contracting officers still did not always include the antifriction bearings restrictive clause in contracts as required by the DFARS. Further, we found that when the clause was included in contracts, DCMC contract administration officials did not ensure that contractors complied with the clause requirements in terms of providing written certifications, delivering domestically manufactured antifriction bearings, or both. While the widespread noncompliance identified in our previous audit report was partially attributable to the time needed to implement new contracting requirements, our follow-up audit indicated that many DoD activities had not corrected the problem or improved compliance since then. The continued lack of full compliance diminishes the effect of the regulation and would make the benefits derived from full compliance difficult to assess.

Incorporating the restrictive clause. We found that 40 (40 percent) of the 100 contracts awarded by Army and Navy buying commands, did not contain the restrictive clause on antifriction bearings. Conversely, 52 of 55 Air Force and DISC contracts reviewed contained the required restrictive clause. The clause was not always incorporated in Army and Navy contracts because manual systems rather than computer-based systems were used to incorporate required clauses in solicitations and contracts.

A comparison of two Army buying commands' methods for incorporating the clause showed that automated systems were more reliable, whereas manual entries by contracting officers were

more prone to error. To illustrate, we found that the U.S. Army Aviation Systems Command used its automated system to incorporate the clause in all contracts, while reliance on the manual system used by the U.S. Army Tank-Automotive Command resulted in omission of the required clause in 21 of 30 contracts reviewed. In all 21 instances identified, the error occurred without detection by Army contracting officials. Similar conditions also existed at Navy buying commands that used manual systems to incorporate the restrictive clause in their contracts. Details on individual command compliance with incorporating the restrictive clause in contracts is shown in Enclosure 4.

During the audit, we discussed our interim audit results with officials of the activities having the most compliance problems; the U.S. Army Tank-Automotive Command, the Navy Ships Parts Control Center, the Navy Aviation Supply Office, and the U.S. Marine Corps Logistics Base, Albany, Georgia. These officials took immediate corrective action (Enclosure 5). However, to eliminate this problem, senior Army and Navy acquisition officials should immediately notify all of their procurement activities of the need for full compliance with the regulation on this matter. They should require establishment of internal control objectives and techniques to verify that the restrictive clause is used.

Ensuring compliance with clause requirements. We found that administrative contracting officers (ACOs) did not adequately monitor contracts, requiring the purchase or use of antifriction bearings, to ensure that contractors complied with DFARS clause requirements. For example, 18 (75 percent) of the 24 contracts reviewed, showed DoD did not obtain the required certification from contractors that antifriction bearings were manufactured domestically. This was a clear indication that a significant weakness in administrative oversight existed. Even when certifications were obtained, the DoD had no assurance that bearings were manufactured domestically because ACOs did not verify that contractors actually complied with the terms of the contract clause.

For instance, a review of the contract for the High Mobility Multipurpose Wheeled Vehicle (HMMWV), awarded by the U.S. Army Tank-Automotive Command, showed that the prime contractor certified that the vehicle's bearings were manufactured domestically. However, the prime contractor did not pass on or otherwise enforce the restrictive clause requirements to its subcontractors. We found that the alternator for at least 15,000 HMMWVs contained 3 antifriction bearings manufactured by foreign sources. In addition, foreign bearings were used in the manufacture of the vehicle's shaft couplings for at least 7 months without obtaining a waiver.

Defense Logistics Agency Manual (DLAM) 8105.1, "Defense Contract Management Command Contract Administration Manual," dated October 1990, Part 8.2, outlines contract administrative procedures to be followed to monitor contractor compliance with restrictive purchase clauses. Although the Manual does not specifically reference antifriction bearings, the procedures established in Part 8.2, "Restricted Purchases for Preservation of the Domestic Industrial Base," can be used to verify that antifriction bearings procured under defense contracts are manufactured domestically.

Streamlining the DFARS. In efforts to comply with congressional and DoD desires to streamline and simplify the DFARS, the DoD combined all foreign source restriction clauses. Effective December 31, 1991, DFARS clause 252.208-7006, "Required Sources for Antifriction Bearings," as referred to in DFARS subpart 208.79, was changed to DFARS 252.225-7025, "Foreign Source Restrictions." The terms of the clause remained essentially the same, although the contractor certification requirement was deleted. This deletion appears to conflict with the intent of the FY 1992 DoD Appropriations Act, Section 8127, which states that:

> None of the funds appropriated or made available in this Act or any Act making appropriations for the Department of Defense for fiscal year 1992 may be obligated for procurement of ball bearings or roller bearings other than in accordance with the provisions of subpart 208.79 of the Defense Federal Acquisition Regulation Supplement (DFARS) as promulgated effective on July 11, 1989.

No recommendation was made addressing deletion of the contractor certification requirement because our audit showed that obtaining written certifications did not ensure that the contractor purchased domestically manufactured antifriction bearings. We believe compliance with the restrictive clause on antifriction bearings can be improved if ACOs provide the necessary oversight on contracts for antifriction bearings and items containing antifriction bearings, as established in DLAM 8105.1, to ensure contractor compliance in accordance with the DFARS.

Recommendations for Corrective Actions

1. We recommend that the Assistant Secretary of the Army (Research, Development, and Acquisition) and the Assistant Secretary of the Navy (Research, Development and Acquisition) direct all buying commands to:

a. Establish specific procedures to incorporate the Defense Federal Acquisition Regulation Supplement clause 252.208-7006, renumbered as 252.225-7025, in all contracts for antifriction bearings, bearing components, or bearings contained in end items

procured, unless an exception under Defense Federal Acquisition Regulation Supplement 225.7105 applies.

b. Establish specific internal control objectives and techniques to verify that the procedures used to incorporate the clause are effective.

2. We recommend that the Director, Defense Logistics Agency:

a. Issue guidance to all Defense Contract Management Command Districts directing them to use procedures established in Defense Logistics Agency Manual 8105.1, "Defense Contract Management Command Contract Administration Manual," Part 8.2 to verify contractor compliance with the Defense Federal Acquisition Regulation Supplement clause 252.208-7006, renumbered as 252.225-7025.

b. Amend the Defense Logistics Agency Manual 8105.1, paragraph 8.2-1 to reference the Defense Federal Acquisition Regulation Supplement clause 252.208-7006, renumbered as 252.225-7025.

c. Review the contract and related subcontracts for the High Mobility Multipurpose Wheeled Vehicle identified in this report to determine whether administrative remedies should be initiated as a result of contractor purchase of foreign bearings and initiate administrative remedies, as appropriate.

Management Comments

The Director, U.S. Army Contracting Support Agency concurred with the draft report findings related to the Army. The Director concurred in principle with Recommendations 1.a. and 1.b., stating that it was more appropriate to address the importance of including all required clauses in each contract awarded, rather than focus on a single issue and clause. The Director also stated that, in the Army's next Acquisition Letter, he would remind Army contracting activities of their responsibility to ensure that appropriate procedures and controls are in place to ensure that each contract awarded contains all required clauses.

The Assistant Secretary of the Navy (Research, Development and Acquisition) concurred with the draft report findings and Recommendations 1.a. and 1.b. The Assistant Secretary stated that all Navy buying commands were directed to establish specific procedures to incorporate the restrictive clause in appropriate contracts and to establish specific internal control objectives and techniques to verify that the procedures are effective.

The Deputy Comptroller, Defense Logistics Agency fully concurred with Recommendations 2.a., 2.b., and 2.c. and stated that a policy memorandum would be issued pertaining to

administering the clause. Also, the Defense Logistics Agency Manual 8105.1 would be revised to reference the antifriction bearings clause. The Deputy Comptroller also agreed to review the High Mobility Multipurpose Wheeled Vehicle contract and subcontracts and determine the need for administrative remedies.

Audit Response

We revised Recommendation 1.a. to note exceptions to the policy requiring the inclusion of the restrictive clause for antifriction bearings in DoD contracts.

We consider the responses to the draft report by the Army, Navy, and Defense Logistics Agency to be fully responsive and in conformance with the provisions of DoD Directive 7650.3. No further response is necessary. The complete texts of management comments are provided in Enclosures 1, 2, and 3.

The cooperation and courtesies extended to the audit staff are appreciated. If you have any questions on this report, please contact Mr. Salvatore D. Guli, Program Director at (703) 614-6285 (DSN 224-6285) or Mr. Ronald W. Hodges, Project Manager at (703) 614-6264 (DSN 224-6264). There were no readily identifiable potential monetary benefits associated with this report; however, other potential benefits are discussed in Enclosure 6. Copies of this report were provided to the activities and individuals listed in Enclosure 8.

Robert J. Lieberman
Assistant Inspector General
for Auditing

Enclosures

cc:
Secretary of the Army
Secretary of the Navy
Secretary of the Air Force
Director of Defense Procurement

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
U.S. ARMY CONTRACTING SUPPORT AGENCY
5109 LEESBURG PIKE
FALLS CHURCH, VIRGINIA 22041-3201

REPLY TO
ATTENTION OF

SFRD-KP

25 FEB 1992

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE
ATTN: AUDITING, 400 ARMY NAVY DRIVE,
ARLINGTON, VIRGINIA 22202-2884

SUBJECT: Draft Quick Reaction Report on the Review of the Restrictive Contract Clause on Antifriction Bearings (Project No. 2CF-5002)

1. We reviewed subject draft report and concur with your findings related to the Army. We also concur, in principle, with Recommendation 1. However, rather than focus on a single issue and clause, we feel it is more appropriate to address the importance of including all required clauses in each contract awarded.

2. We will apprise Army contracting activities of the audit findings and remind them of their responsibility to ensure that appropriate procedures and controls are in place to assure that each contract awarded contains all required clauses.

3. We will address this in our next Acquisition Letter which should be issued on or about 15 April 1992. The point of contact for this audit is Mr. Thomas Colangelo, SFRD-KP, 703-756-7564.

J. Bruce King

J. BRUCE KING
Acting Director

CF:
SAIG-PA (Ms. Flanagan)
SARD-DER (Ms. Willey)

Enclosure 1

THE ASSISTANT SECRETARY OF THE NAVY
(Research, Development and Acquisition)
WASHINGTON, D.C. 20350-1000

MAR 11 1992

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

Subj: DRAFT QUICK-REACTION REPORT ON THE REVIEW OF THE RESTRICTIVE CONTRACT CLAUSE ON ANTI-FRICTION BEARINGS (PROJECT NO. 2CF-5002)

This is in response to your memorandum of 5 February 1992 which requests comments on the subject draft quick-reaction report.

We concur with the finding of this report that the antifriction bearings restrictive clause has not always been included in Navy contracts as required.

We concur with recommendations 1.a. and b. that I direct all buying commands to establish:

a. specific procedures to incorporate the subject clause, in appropriate solicitations and contracts; and
b. specific internal control objectives and techniques to verify that the procedures are effective.

However, we note that Defense Federal Acquisition Regulation Supplement 225.7103 lists exceptions to the policy requiring inclusion of the restrictive clause, such as when small purchase procedures are used and the restricted item is not the end item being purchased.

I have attached a copy of the policy memorandum for distribution which implements the above recommendation.

We have no comment on recommendation 2. which is addressed to the Director, Defense Logistics Agency.

Gerald A. Cann

Copy to:
NAVCOMPT (NCB53)
NAVINSGEN

DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(Research, Development and Acquisition)
WASHINGTON, D.C. 20360-1000

06 MAR 1992

MEMORANDUM FOR DISTRIBUTION

Subj: DRAFT DOD INSPECTOR GENERAL REPORT ON THE REVIEW OF RESTRICTIVE CONTRACT CLAUSES ON ANTI-FRICTION BEARINGS, PROJECT NO. 2CF-5002

In a review of 45 Navy contracts for direct purchase of antifriction bearings or components containing antifriction bearings, the DOD IG found that the required restrictive contract clause on antifriction bearings was not included in 19 of the contracts reviewed.

In accordance with the recommendations of the draft report, Defense Federal Acquisition Regulation Supplement clause 252.225-7025, "Foreign Source Restrictions" should be established as a mandatory clause for all solicitations and contracts unless an exception under DFARS 225.7105 applies.

In addition, specific internal controls should be established to verify that the clause is being used appropriately. This will be a specific interest item for procurement management reviews (PMRs).

W. R. Morris
RADM, SC, USN
Deputy for Acquisition Policy, Integrity and Accountability

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DEFENSE LOGISTICS AGENCY
HEADQUARTERS
CAMERON STATION
ALEXANDRIA, VIRGINIA 22304-6100

IN REPLY REFER TO DLA-CI

25 FEB 1992

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING, DEPARTMENT OF DEFENSE

SUBJECT: Draft Quick Reaction Report on the Review of Restrictive Contract Clauses on Antifriction Bearings (Project No. 2CF-5002)

This is in response to your 5 Feb 92 memorandum requesting our comments on this draft audit report. The attached positions have been approved by Ms. Helen T. McCoy, Deputy Comptroller, Defense Logistics Agency.

3 Encl

Jacqueline G. Bryant
JACQUELINE G. BRYANT
Chief, Internal Review Division
Office of the Comptroller

TYPE OF REPORT: AUDIT DATE OF POSITION: 24 Feb 92

PURPOSE OF POSITION: INITIAL POSITION

AUDIT TITLE & NO.: Draft Quick-Reaction Report on the Review of Restrictive Contract Clauses on Antifriction Bearing (Project No. 2CF-5002)

RECOMMENDATION 1.a*: We recommend that the Director, Defense Logistics Agency, issue guidance to all Defense Contract Management Command Districts directing them to use procedures established in Defense Logistics Agency Manual 8105.1, "Defense Contract Management Command Contract Administration Manual," Part 8.2 to verify contractor compliance with the Defense Federal Acquisition Regulation Supplement clause 252.208-7006, renumbered as 252-225-7025.

DLA COMMENTS: Concur. A policy letter will be issued to field offices providing guidance pertaining to administering the clause at DFARS 252.208-7006, "Required Sources for Antifriction Bearings", and the new clause at DFARS 252.225-7025, "Foreign Source Restrictions".

DISPOSITION:
(x) Action is Ongoing. Estimated Completion Date: 31 Mar 1992
( ) Action is considered complete.

INTERNAL MANAGEMENT CONTROL WEAKNESSES
( ) Nonconcur. (Rationale must be documented and maintained with your copy of the response)
(x) Concur; however, weakness is not considered material (Rationale must be documented and maintained with your copy of the response)
( ) Concur; weakness is material and will be reported in the DLA Annual Statement of Assurance.

ACTION OFFICER: Timothy Frank, DCMC-AC, 47726.
PSE REVIEW/APPROVAL: William V. Gordon, DCMC-A, 20 Feb 92

DLA APPROVAL: Helen T. McCoy, Deputy Comptroller

*Represents response to Recommendation No. 2.a.

TYPE OF REPORT: AUDIT DATE OF POSITION: 24 Feb 92

PURPOSE OF POSITION: INITIAL POSITION

AUDIT TITLE & NO.: Draft Quick-Reaction Report on the Review of Restrictive Contract Clauses on Antifriction Bearings (Project No. 2CF-5002)

RECOMMENDATION 1.b*: We recommend that the Director, Defense Logistics Agency, amend the Defense Logistics Agency Manual 8105.1, paragraph 8.2-1 to reference the Defense Federal Acquisition Regulation Supplement clause 252-208-7006, renumbered as 252-225-7025.

DLA COMMENTS: Concur. Part 8.2 of the DLAM 8105.1 will be revised to reference the DFARS clause at 252.208.7006, and to address changes in the Defense Federal Acquisition Regulation Supplement (DFARS), including adding guidance pertaining to the new clause at DFARS 252.225-7025, 'Foreign Source Restrictions'.

DISPOSITION:
(x) Action is Ongoing. Estimated Completion Date: 30 June 1992
( ) Action is considered complete.

INTERNAL MANAGEMENT CONTROL WEAKNESSES
( ) Nonconcur (Rationale must be documented and maintained with your copy of the response)
(x) Concur; however, weakness is not considered material (Rationale must be documented and maintained with your copy of the response)
( ) Concur; weakness is material and will be reported in the DLA Annual Statement of Assurance.

ACTION OFFICER: Timothy Frank, DCMC-AC, 47726
PSE REVIEW/APPROVAL: William V. Morgan, DCMC-A, 20 Feb 92

DLA APPROVAL: Helen T. McCoy, Deputy Comptroller

*Represents response to Recommendation No. 2.b.

TYPE OF REPORT: AUDIT DATE OF POSITION: 24 Feb 92

PURPOSE OF POSITION: INITIAL POSITION

AUDIT TITLE & NO.: Draft Quick-Reaction Report on the Review of Restrictive Contract Clauses on Antifriction Bearings (Project No. 2CF-5002)

RECOMMENDATION 1.c*: We recommend that the Director, Defense Logistics Agency, review the contract and related subcontracts for the High Mobility Multipurpose Wheeled Vehicle identified in this report to determine whether administrative remedies should be initiated as a result of contractor purchase of foreign bearings and initiate administrative remedies, as appropriate.

DLA COMMENTS: Concur. We have directed the Defense Contract Management District North Central to conduct a review of the High Mobility Multipurpose Wheeled Vehicle contract and related subcontracts to determine whether administrative remedies should be initiated, and to initiate such remedies as appropriate. The review should be completed and results reported to DLA-A by 31 Mar 92.

DISPOSITION:
(x) Action is Ongoing. Estimated Completion Date: 31 Mar 92
( ) Action is considered complete.

INTERNAL MANAGEMENT CONTROL WEAKNESSES
( ) Nonconcur (Rationale must be documented and maintained with your copy of the response)
(x) Concur; however, weakness is not considered material (Rationale must be documented and maintained with your copy of the response)
( ) Concur; weakness is material and will be reported in the DLA Annual Statement of Assurance.

ACTION OFFICER: Timothy Frank, DCMC-AC, 47726
PSE REVIEW/APPROVAL: William V. Gordon, DMMC-A, 20 Feb 92

DLA APPROVAL: Helen T. McCoy, Deputy Comptroller

*Represents response to Recommendation 2c.

CONTRACTS REVIEWED FOR ANTIFRICTION BEARINGS CLAUSE

CONTRACT NUMBER BY ACTIVITY	CONTRACT VALUE (000's)	WEAPON SYSTEM APPLICATION	METHOD AUTOMATIC (A) MANUAL (M)	CLAUSE INCLUDED IN CONTRACTS REVIEWED YES	CLAUSE INCLUDED IN CONTRACTS REVIEWED NO	TOTAL REVIEWED
ARMY TANK-AUTOMOTIVE COMMAND						
DAAE07-89-C-0998	$ 949,100	HMMWV	M	X		
DAAE07-89-C-A005	9,600	MULTIPLE LAUNCH ROCKET SYSTEM	M		X	
DAAE07-89-C-A028	1,198,813	M1A1 TANK	M	X		
DAAE07-89-G-J004/0005	798	HMMWV	M		X	
DAAE07-90-C-0031	112	N/A[1/]	M		X	
DAAE07-90-C-0068	93	N/A[1/]	M		X	
DAAE07-91-C-1755	126	M88 RECOVERY VEHICLE	M	X		
DAAE07-90-D-J013/0001	5,458	HMMWV	M		X	
DAAE07-91-C-0166	376	FAASV	M		X	
DAAE07-91-C-0213	65	N/A[1/]	M	X		
DAAE07-91-C-0217	949	HMMWV	M		X	
DAAE07-91-C-0241	1,356	N/A[1/]	M		X	
DAAE07-91-C-0296	4,792	HMMWV	M	X		
DAAE07-91-C-0358	5,834	5 TON TRUCK	M		X	
DAAE07-91-C-0459	57	N/A[1/]	M		X	
DAAE07-91-C-0520	504	M88 RECOVERY VEHICLE	M		X	
DAAE07-91-C-0526	48	N/A[1/]	M	X		
DAAE07-91-C-0566	113	M9 ACE ARMED COMBAT EXCAVATION	M		X	
DAAE07-91-C-0918	267	M109 SELF PROPELLED HOWITZER	M		X	
DAAE07-91-C-0921	99	ARMORED PERSONNEL CARRIER	M		X	
DAAE07-91-C-1124	103	MW981 FIRE SUPPORT TEAM VEHICLE	M		X	
DAAE07-91-C-1143	33	N/A[1/]	M	X		
DAAE07-91-C-1257	314	BRADLEY VEHICLE	M		X	
DAAE07-91-C-1283	456	M88 RECOVERY VEHICLE	M	X		
DAAE07-91-C-1432	9,233	FAASV	M		X	
DAAE07-91-C-1465	268	SHERIDAN LIGHT ARMORED VEHICLE	M		X	
DAAE07-91-C-1568	138	VARIOUS	M		X	
DAAE07-91-C-A030	24,224	FAASV	M		X	
DAAE07-91-C-A045	42,041	FAASV	M	X		
DAAE07-91-D-A004/0001	40,215	MULTIPLE LAUNCH ROCKET SYSTEM	M		X	
SUBTOTAL	$2,295,585			9	21	30
ARMY AVIATION SYSTEMS COMMAND						
DAAJ09-88-G-A003/1478	$ 52	UH-1 HELICOPTER	M[2/]		X	
DAAJ09-88-G-A003/1634	58	OH-58D, 206B HELICOPTERS	M[2/]		X	
DAAJ09-90-C-0038	47	T53 AIRCRAFT ENGINE	A	X		
DAAJ09-90-C-1126	34	CH-47 HELICOPTER	A	X		
DAAJ09-90-C-0529	605	UH-1 HELICOPTER	A	X		
DAAJ09-91-C-0875	721	T53 AIRCRAFT ENGINE	A	X		
DAAJ09-90-C-1091	1,283	T53 AIRCRAFT ENGINE	A	X		
DAAJ09-90-C-0707	1,238	T53 AIRCRAFT ENGINE	A	X		

See footnote on page 5 of this enclosure.

CONTRACTS REVIEWED FOR ANTIFRICTION BEARINGS CLAUSE (Cont'd)

CONTRACT NUMBER BY ACTIVITY	CONTRACT VALUE (000's)	WEAPON SYSTEM APPLICATION	METHOD AUTOMATIC (A) MANUAL (M)	CLAUSE INCLUDED IN CONTRACTS REVIEWED YES	CLAUSE INCLUDED IN CONTRACTS REVIEWED NO	TOTAL REVIEWED
DAAJ09-91-C-0501	$ 98	T53 AIRCRAFT ENGINE	A	X		
DAAJ09-91-G-0007/0025	209	CH-47 HELICOPTER	A	X		
DAAJ09-89-C-0235	1,399	UH-1 HELICOPTER	A	X		
DAAJ09-90-C-1204	1,325	UH-60 HELICOPTER	A	X		
DAAJ09-90-C-1198	6,860	MH-47D HELICOPTER	A	X		
DAAJ09-90-C-0814	2,709	UH-1 HELICOPTER	A	X		
DAAJ09-91-C-0328	2,812	AH-64 HELICOPTER	A	X		
DAAJ09-90-C-1208	1,886	AH-64A HELICOPTER	A	X		
DAAJ09-90-C-0281	3,180	OH-58D HELICOPTER	A	X		
DAAJ09-90-C-1158	1,449	OH-58C HELICOPTER	A	X		
DAAJ09-91-C-0976	3,636	UH-60 HELICOPTER	A	X		
DAAJ09-90-C-1371	3,933	UH-60A HELICOPTER	A	X		
DAAJ09-91-C-0368	1,971	VOICE ALTITUDE WARNING SYSTEM	A	X		
DAAJ09-91-C-1239	1,674	TADS/PNVS SYSTEM	A	X		
DAAJ09-91-C-0429	5,409	AH-1 HELICOPTER	A	X		
DAAJ09-90-C-1054	2,565	UH-60 HELICOPTER	A	X		
DAAJ09-91-C-0378	3,583	CH-47D HELICOPTER	A	X		
SUBTOTAL	$ 48,736			23	2	25
NAVAL AIR SYSTEMS COMMAND						
N00019-90-C-0185	$ 8,102	F/A-18 AIRCRAFT	A	X		
N00019-90-C-0219	23,372	VARIOUS SHIPS	A	X		
N00019-90-C-0258	29,900	AIRCRAFT CARRIERS	A	X		
N00019-91-C-0100	4,087	VARIOUS HELICOPTERS	A	X		
N00019-91-C-0101	1,190	N/A1/	A	X		
N00019-91-C-0150	14,076	VARIOUS AIRCRAFT	A	X		
N00019-91-C-0154	2,621	F-14D AIRCRAFT	A	X		
N00019-91-C-0155	24,560	S-3B AIRCRAFT	A	X		
N00019-91-C-0195	7,272	LHD ASSAULT SHIP	A	X		
N00019-91-C-0202	37,882	F/A-18, F-14 AIRCRAFT	A	X		
SUBTOTAL	$ 153,062			10	0	10
NAVAL SEA SYSTEMS COMMAND						
N00024-91-C-4006	$ 6,536	SEA WOLF SUBMARINE	A	X		
N00024-91-C-4007	88,328	NUCLEAR SUBMARINE	A	X		
N00024-91-C-4044	23,649	SEA WOLF SUBMARINE	A	X		
N00024-91-C-4055	76,257	NUCLEAR SUBMARINE	A	X		
N00024-91-C-5136	836	SEASPARROW MISSILE	A	X		
N00024-91-C-5326	1,000	STANDARD MISSILE 2BLK3	A	X		
N00024-91-C-5329	650	STANDARD MISSILE 2BLK3	A	X		

See footnote on page 5 of this enclosure.

CONTRACTS REVIEWED FOR ANTIFRICTION BEARINGS CLAUSE (Cont'd)

CONTRACT NUMBER BY ACTIVITY	CONTRACT VALUE (000's)	WEAPON SYSTEM APPLICATION	METHOD AUTOMATIC (A) MANUAL (M)	CLAUSE INCLUDED IN CONTRACTS REVIEWED YES	CLAUSE INCLUDED IN CONTRACTS REVIEWED NO	TOTAL REVIEWED
N00024-91-C-5408	$ 9,147	PHALANX WEAPONS PROGRAM	A	X		
N00024-91-C-5412	131,669	5" 54 CALIBER GUN	A	X		
N00024-91-C-5645	49,547	RADAR SYSTEM	A	X		
SUBTOTAL	$ 387,619			10	0	10
NAVY SHIPS PARTS CONTROL CENTER						
N00104-91-C-E758	$ 46	VARIOUS SHIPS	M	X		
N00104-90-C-4701	42	AIRCRAFT GENERATOR	M	X		
N00104-90-C-C225	68	RUDDER AND SUPPORT ASSEMBLY	M		X	
N00104-90-C-H029	1,506	CLOSE IN WEAPON SYSTEM	M	X		
N00104-90-C-Z065	31	BAND ANTENNA SYSTEM	M		X	
N00104-91-C-A064	47	AIRCRAFT GENERATOR	M		X	
N00104-91-C-E366	80	PURIFIER CENTRIFUGAL	M		X	
N00104-91-C-G149	128	AB-1312/BPS-15 PEDESTAL ANTENNA	M		X	
N00104-91-C-T029	475	ALIDADE TELESCOPE	M		X	
N00104-91-C-7101	120	VARIOUS SHIPS	M	X		
SUBTOTAL	$ 2,543			4	6	10
NAVY AVIATION SUPPLY OFFICE						
N00383-90-C-3639	$ 81	AUTOMATED TEST EQUIPMENT	M		X	
N00383-90-C-5783	49	F/A-18 AIRCRAFT	M		X	
N00383-90-C-9436	134	H-46 AIRCRAFT	M		X	
N00383-90-D-5254/0002	204	VARIOUS ENGINES	M		X	
N00383-90-C-5144	46	VARIOUS ENGINES	A	X		
N00383-90-G-M105/0005	337	S-3 AIRCRAFT	M		X	
N00383-91-C-3570	28	F-4 AIRCRAFT	A	X		
N00383-91-C-8219	1,080	H-3 AIRCRAFT	A	X		
N00383-91-C-A210	50	F-14 AIRCRAFT	M		X	
N00383-90-C-5821	100	F/A-18 AIRCRAFT	A	X		
SUBTOTAL	$ 2,109			4	6	10
MARINE CORPS LOGISTICS BASE ALBANY						
M67004-90-M-1240	$ 18	UPGUNNED WEAPON STATION	M		X	
M67004-91-G-0001/0028	517	LIGHT ARMORED VEHICLE	M		X	
M67004-91-M-0770	8	LIGHT ARMORED VEHICLE	M		X	

See footnote on page 5 of this enclosure.

CONTRACTS REVIEWED FOR ANTIFRICTION BEARINGS CLAUSE (Cont'd)

CONTRACT NUMBER BY ACTIVITY	CONTRACT VALUE (000's)	WEAPON SYSTEM APPLICATION	METHOD AUTOMATIC (A) MANUAL (M)	CLAUSE INCLUDED IN CONTRACTS REVIEWED YES	CLAUSE INCLUDED IN CONTRACTS REVIEWED NO	TOTAL REVIEWED
M67004-91-M-0909	$ 16	LIGHT ARMORED VEHICLE RECOVERY	M		X	
M67004-91-M-2134	19	LIGHT ARMORED VEHICLE	M		X	
SUBTOTAL	$ 578			0	5	5
SUBTOTAL ARMY/NAVY	$2,890,232			60	40	100
WARNER ROBINS AIR LOGISTICS CENTER						
F09603-90-C-0321	$ 1,395	MC-130H AIRCRAFT	A	X		
F09603-90-C-0600	39	N/A[1/]	A	X		
F09603-90-C-0646	230	VARIOUS AIRCRAFT	A	X		
F09603-90-C-1013	681	N/A[1/]	A	X		
F09603-91-C-0535	2,388	N/A[1/]	A	X		
F09603-91-C-0698	140	A-10 AIRCRAFT	A	X		
F09603-91-C-1400	20	T-53 AIRCRAFT ENGINE	A	X		
F09603-91-C-1456	26	T-53 AIRCRAFT ENGINE	A	X		
F09603-91-C-1457	11	T-53 AIRCRAFT ENGINE	A	X		
F09603-91-C-1574	253	F-15 AIRCRAFT	A	X		
F09603-91-C-2050	41	N/A[1/]	A	X		
F09603-91-M-0086 [4/]	2	F-16 AIRCRAFT	M	X		
F09603-91-M-0499 [4/]	9	J-79 AIRCRAFT ENGINE	M		X	
F09603-91-M-0963 [4/]	1	N/A[1/]	M	X		
F09603-91-M-1895 [4/]	1	N/A[1/]	M	X		
SUBTOTAL	$ 5,237			14	1	15
SAN ANTONIO AIR LOGISTICS CENTER						
F41608-90-C-2341	$ 32	COMMON SUPPORT	A	X		
F41608-90-D-1831/0001	175	F-15, F-16 AIRCRAFT	A	X		
F41608-91-C-0254	35	C5B AIRCRAFT	A	X		
F41608-91-G-0049	0[3/]	N/A[1/]	A	X		
SUBTOTAL	$ 242			4	0	4
OKLAHOMA CITY AIR LOGISTICS CENTER						
F09603-91-G-0017/SD04	$ 80	B1B AIRCRAFT	A	X		
F34601-89-G-6601/0102	363	B1B AIRCRAFT	M[2/]		X	
F34601-90-C-0096	222	TF33/J57 AIRCRAFT ENGINES	A	X		
F34601-90-C-0286	6,569	C-135 AIRCRAFT	A	X		
F34601-90-C-1534	260	F110GE100 AIRCRAFT ENGINE	A	X		
F34601-90-C-1635	347	F101/F110 AIRCRAFT ENGINES	A	X		

See footnote on page 5 of this enclosure.

CONTRACTS REVIEWED FOR ANTIFRICTION BEARINGS CLAUSE (Cont'd)

CONTRACT NUMBER BY ACTIVITY	CONTRACT VALUE (000's)	WEAPON SYSTEM APPLICATION	METHOD AUTOMATIC (A) MANUAL (M)	CLAUSE INCLUDED IN CONTRACTS REVIEWED YES	CLAUSE INCLUDED IN CONTRACTS REVIEWED NO	TOTAL REVIEWED
F34601-90-G-6703/0075	$ 50	VARIOUS AIRCRAFT	A	X		
F34601-90-G-6705/0044	396	F110GE100 AIRCRAFT ENGINE	A	X		
F34601-90-G-6703/0085	199	F110GE100 AIRCRAFT ENGINE	A	X		
F34601-90-G-6703/0088	30	F101/F110 AIRCRAFT ENGINES	A	X		
F34601-91-C-0077	25	TF30-P100-9-7-3 AIRCRAFT ENGINE	A	X		
F34601-91-C-0358	3	B1B AIRCRAFT	A	X		
F34601-91-C-0642	2	B1B AIRCRAFT	A	X		
F34601-91-C-1027	57	TF33/J57 AIRCRAFT ENGINE	A	X		
F34601-91-G-7702/0026	34	F101/F110 AIRCRAFT ENGINES	A	X		
F34601-91-M-2812 4/	1	TF33 AIRCRAFT ENGINE	M		X	
SUBTOTAL	$ 8,638			14	2	16
DEFENSE LOGISTICS AGENCY DEFENSE INDUSTRIAL SUPPLY CENTER						
DLA500-91-C-2014	$ 216	C-130 AIRCRAFT	M	X		
DLA500-91-C-2094	343	VARIOUS	M	X		
DLA500-91-C-1741	701	C-130 AIRCRAFT	M	X		
DLA500-90-C-0704	166	C-135 AIRCRAFT	M	X		
DLA500-90-C-0621	225	CH-53A/D/E HELICOPTER	M	X		
DLA500-91-C-1745	162	B-52 AIRCRAFT	M	X		
DLA500-90-C-0761	100	C-130 AIRCRAFT	M	X		
DLA500-90-C-0611	140	VARIOUS	M	X		
DLA500-90-C-0731	116	C-135 AIRCRAFT	M	X		
DLA500-91-C-2082	81	EH38D PHOTO PROCESSOR	M	X		
DLA500-91-C-1736	66	VARIOUS	M	X		
DLA500-91-C-1740	135	H-3 HELICOPTER	M	X		
DLA500-91-C-2924	55	TRIDENT SUBMARINE	M	X		
DLA500-91-C-1762	42	VARIOUS	M	X		
DLA500-90-C-0650	83	TRANSMISSION SYSTEM H-3 H/C	M	X		
F09603-88-G-0081/TZ67	265	CH-54 HELICOPTER	M	X		
DLA500-88-G-0301/0038	78	VARIOUS	M	X		
DLA500-90-C-0669	73	N/A 1/	M	X		
DLA500-90-C-0769	57	VARIOUS	M	X		
DLA500-91-C-1734	43	PHANTOM F-4 AIRCRAFT	M	X		
SUBTOTAL	$ 3,147			20	0	20
AIR FORCE/DLA SUBTOTAL	$ 17,264			52	3	55
GRAND TOTAL	$2,907,496			112	43	155

1/ Weapon system application was not determined.

2/ Basic Ordering Agreement awarded before clause was incorporated in computer-based system while individual orders were processed manually.

3/ Basic Ordering Agreement reviewed only. Specific delivery orders were not obtained.

4/ Small purchases were processed manually by the Air Force.

The following acronyms are used in this enclosure.

FAASV.....Field Artillery Ammunition Support Vehicle
HMMWV.....High Mobility Multipurpose Wheeled Vehicle
PNVS.....Pilot Night Vision Sensor
TADS.....Target Acquisition Designated Sight

DEPARTMENT OF THE ARMY
UNITED STATES ARMY TANK AUTOMOTIVE COMMAND
WARREN, MICHIGAN 48397-5000

REPLY TO
ATTENTION OF

3 DEC 1991

AMSTA-IDPB

MEMORANDUM FOR Department of Defense, Inspector General, ATTN:
Mr. Ronald Hodges, 400 Army Navy Drive,
Arlington, VA 22202-2884

SUBJECT: Review of Restrictive Clauses on Antifriction Bearings, Project No. 2CF-5002, AMC No. D9201

1. As a result of the subject review conducted at the U.S. Army Tank-Automotive Command (TACOM), it was noted that several of the contracts examined did not contain the required restrictive bearing clauses.

2. At the exit conference conducted on 29 October 1991, Mr. Ronald Hodges suggested that a possible audit recommendation to TACOM would be to change from optional to mandatory the generation of the restrictive bearing clauses by the Procurement Automated Data and Document System (PADDS), and Mr. Hodges asked for TACOM to provide its position with regard to this recommendation as a potential corrective action.

3. TACOM has reviewed the recommendation in conjunction with current processes and developed an alternate procedure which will better assure inclusion of the restrictive clauses for applicable items only. This procedure involves annotation of the procurement package by the Engineering function prior to generation of the solicitation in PADDS, thereby permitting the contract specialist to specify inclusion of the clauses in applicable cases.

4. The above procedure is preferable, we feel, to the automatic generation of the clauses because of the following considerations:

a. The clause is required in a relatively small percentage of our procurements.

b. Effective 31 December 1991, the clause will be combined with five other clauses, the new clause entitled "Foreign Source Restrictions" (DFARS 252.225-7025). Across-the-board generation of the clause would not be in keeping with the policy for reducing the size of contractual documents and might lead to criticism for inclusion of inapplicable provisions.

5. Point of contact in the TACOM Acquisition Center is John Hopfner, AMSTA-IDPB, DSN 786-7242.

ROBERT L. SWINT
Assistant Deputy for
Systems and Logistics

DEPARTMENT OF THE NAVY
NAVY SHIPS PARTS CONTROL CENTER
5450 CARLISLE PIKE
P.O. BOX 2020
MECHANICSBURG, PA 17055-0788

(717) 790-
AUTOVON 430 & EXT
FAX #
FTS 594 & EXT
IN REPLY REFER TO:

4200
Ser 02514/SJF
NOV 19 1991

From: Commanding Officer, Navy Ships Parts Control Center
To: Department of Defense, Assistant Inspector General for Auditing

Subj: REVIEW OF RESTRICTIVE CONTRACT CLAUSES ON ANTIFRICTION BEARINGS (PROJECT NO. 2CF-5002)

1. Auditors from your office visited SPCC from 29 October to 5 November 1991 to conduct a compliance review to determine whether contracting officers were properly including restrictive clauses in contracts for antifriction bearings and higher level assemblies that contain antifriction bearings.

2. The allowance parts lists (APLs) on the Weapon Systems File at the Navy Ships Parts Control Center are built to the end item level only. Intermediate subassemblies are not associated with their components Therefore, there is no link between a component, i.e. an antifriction bearing, and its direct next higher level assembly in the Weapon Systems File. Consequently, our Contracting Officers are unable to readily identify all higher level assemblies which contain antifriction bearings In order to ensure that the required clause is included when necessary, DFARS 252.208-7006 "Required Sources for Antifriction Bearings (Apr 1989)" will now be included in all solicitations and contracts except ammunition procurements. This information is being provided to you at the request of your auditor, Mr. Ron Hodges.

C.D. DEMERITT
By direction

DEPARTMENT OF THE NAVY
AVIATION SUPPLY OFFICE
700 ROBBINS AVENUE
PHILADELPHIA, PA 19111-5098

IN REPLY REFER TO

8 JAN 1992

From: Commanding Officer, Navy Aviation Supply Office
To: Inspector General, Department of Defense (AUD/CM)

Subj: DODIG AUDIT #2CF-5002 - "RESTRICTIVE CONTRACT CLAUSES ON ANTIFRICTION BEARINGS

Encl: (1) PED System Print-out

1. During DODIG audit visit of 5-7 November 1991, it was agreed that the Procurement Support Management Branch (Code 0241) would take action to incorporate subject clause into the new Procurement Early Development (PED) System as such clause had been inadvertently omitted from the data base. Action was completed on 19 Nov 1991 and enclosure (1) is furnished as confirmation that clause has been added to the PED system.

2. Your audit found contracts generated by the ASAPS system that had the mandatory clause coverage incorporated and auditors noted that the ASAPS system had been modified as of 1 October 1989.

MARYELLEN DOYLE
By direction

UNITED STATES MARINE CORPS
MARINE CORPS LOGISTICS BASE
ALBANY, GEORGIA 31704 5000

IN REPLY REFER TO:
4200
Code 905
10 Jan 92

From: Commander, Marine Corps Logistics Base, Albany

Department of Defense Inspector General
AUD-CM, Rm 600/Jeffery Lynch
400 Army Navy Drive
Arlington, VA 22202

Subj: FOREIGN SOURCE RESTRICTION CLAUSE, DFARS 252.225-7025

1. The Department of Defense Inspector General's visit of October 1991, to determine whether the subject clause was appropriately utilized, found some instances where the clause had not been included in the solicitations and awards. As a result, all Contracting Officers were advised on this date to include subject clause in all solicitations and contracts issued by this installation.

R. W. PRICE
Executive Director for
Logistics Operations

SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT

Recommendation Reference	Description of Benefit	Type of Benefit
1.a.	Compliance with laws and regulations. Preserve domestic industrial base for antifriction bearings.	Nonmonetary.
1.b.	Internal controls. Ensure restrictive clause is incorporated in applicable contracts.	Nonmonetary.
2.a.	Compliance with laws and regulations. Preserve domestic industrial base for antifriction bearings.	Nonmonetary.
2.b.	Compliance with laws and regulations. Preserve domestic industrial base for antifriction bearings.	Nonmonetary.
2.c.	Compliance with laws and regulations. Identify need for administrative remedies resulting from contractor noncompliance.	Nonmonetary.

ACTIVITIES VISITED OR CONTACTED

Office of the Secretary of Defense

Deputy Assistant Secretary of Defense (Production Resources), Washington, DC
Director, Defense Acquisition Regulations Council, Arlington, VA

Department of the Army

Assistant Secretary of the Army (Research, Development and Acquisition), Washington, DC
Headquarters, U.S. Army Materiel Command, Alexandria, VA
U.S. Army Tank-Automotive Command, Warren, MI
U.S. Army Aviation Systems Command, St. Louis, MO
U.S. Army Communications-Electronics Command, Fort Monmouth, NJ

Department of the Navy

Assistant Secretary of the Navy (Research, Development and Acquisition), Washington, DC
Naval Sea Systems Command, Washington, DC
Naval Air Systems Command, Washington, DC
Headquarters, U.S. Marine Corps, Washington, DC
Navy Ships Parts Control Center, Mechanicsburg, PA
Navy Aviation Supply Office, Philadelphia, PA
Marine Corps Logistics Base, Albany, GA

Department of the Air Force

Air Force Systems Command, Washington, DC
Air Force Logistics Command, Wright-Patterson AFB, OH
Warner Robins Air Logistics Center, Robins AFB, GA
San Antonio Air Logistics Center, Kelly AFB, TX
Oklahoma City Air Logistics Center, Tinker AFB, OK

Defense Agencies

Headquarters, Defense Logistics Agency, Alexandria, VA
- Defense Contract Management Command, Alexandria, VA
- Defense Contract Management District Northeast, Boston, MA
- Defense Contract Management District North Central, Chicago, IL
- Defense Contract Management District Mid Atlantic, Philadelphia, PA
- Defense Contract Management Area Operation, Chicago, IL
- Defense Contract Management Area Operation, Dallas, TX
- Defense Contract Management Area Operation, Detroit, MI

ACTIVITIES VISITED OR CONTACTED (Cont'd)

Defense Agencies (cont'd)

Defense Contract Management Area Operation, Hartford, CT
Defense Contract Management Area Operation,
Philadelphia, PA
Defense Industrial Supply Center, Philadelphia, PA

Non-DoD Activities

AM General Corporation, South Bend, IN
Antifriction Bearings Association of America, Washington, DC
Dana Corporation, Toledo, OH
Detroit Ball Bearing Company, Warren, MI
General Motors Corporation, Warren, MI
Industrial Tectonics Incorporated, Ann Arbor, MI
NTN-Bearing Corporation of America, Southfield, MI
Prestolite Electric Incorporated, Wagoner, OK
Rae Bearing Service, Hartford, CT
Timken Company, Birmingham, MI
Tremec Trading Company, Farmington Hills, MI

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Assistant Secretary of Defense (Public Affairs)
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Deputy Assistant Secretary of Defense (Logistics)
Deputy Assistant Secretary of Defense (Production Resources)
Director, Defense Acquisition Regulations Council

Department of the Army

Secretary of the Army
Assistant Secretary of the Army (Financial Management)
Assistant Secretary of the Army (Research, Development and Acquisition)
Commander, U.S. Army Materiel Command
Commander, U.S. Army Tank-Automotive Command
Commander, U.S. Army Aviation Systems Command

Department of the Navy

Secretary of the Navy
Assistant Secretary of the Navy (Financial Management)
Assistant Secretary of the Navy (Research, Development and Acquisition)
Commandant, Headquarters, U.S. Marine Corps
Commander, Naval Sea Systems Command
Commander, Naval Air Systems Command
Commander, Navy Ships Parts Control Center
Commander, Navy Aviation Supply Office
Commander, Marine Corps Logistics Base, Albany

Department of the Air Force

Secretary of the Air Force
Assistant Secretary of the Air Force (Financial Management and Comptroller)
Commander, Oklahoma City Air Logistics Center
Commander, San Antonio Air Logistics Center
Commander, Warner Robins Air Logistics Center

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Defense Agencies

Director, Defense Contract Audit Agency
Director, Defense Logistics Agency
Commander, Defense Contract Management Command

Non-DoD

Office of Management and Budget
U.S. General Accounting Office, NSIAD Technical Information Center
Antifriction Bearings Association of America

Congressional Committees:

Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
Ranking Minority Member, Senate Committee on Armed Services
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
Ranking Minority Member, House Committee on Appropriations
House Committee on Armed Services
House Committee on Government Operations
House Subcommittee on Legislation and National Security, Committee on Government Operations
Future Uses of Defense Manufacturing and Technology Resources Panel, House Committee on Armed Services

Congressman Dennis Hertel, House of Representatives
Congresswoman Nancy Johnson, House of Representatives
Congressman John Spratt, House of Representatives