



441 G St. N.W.
Washington, DC 20548

Accessible Version

August 9, 2017

Congressional Committees

Defense Logistics: Plan to Improve Management of Defective Aviation Parts Should Be Enhanced

Defense Logistics Agency (DLA) Aviation supports more than 2,000 weapon systems, with focused support to 130 major weapon systems, and manages more than 1.2 million National Stock Number items. DLA Aviation is responsible for maintaining a sustainable level of inventory in equipment and spare parts to ensure aviation warfighter readiness, among other missions.

DLA Aviation purchases spare parts from contractors, stores the parts in DLA distribution depots, and sells and issues parts to Department of Defense (DOD) customers (for example, the military services). According to the Defense Federal Acquisition Regulation Supplement, if nonconforming materiel or services are discovered after acceptance; the defect appears to be the fault of the contractor; any warranty has expired; and there are no other contractual remedies, then the contracting officer shall, among other things, request that the contractor repair or replace the materiel, or perform the service, at no cost to the government.¹ DOD has a Product Quality Deficiency Report (PQDR) process that enables customers to identify and investigate defective parts, after which DLA searches the inventory and provides for their return to contractors, if applicable, and obtains restitution.

In July 2015, the DOD Inspector General found that the PQDR process lacked sufficient guidance and oversight and recommended that DLA develop an action plan with milestones to improve PQDR processing.² In February 2016, the DOD Inspector General reviewed PQDRs closed from January through June 2014 and reported that DLA Aviation had not pursued and obtained appropriate restitution for a projected 269 unique items for which contractors had supplied defective parts.³ DLA estimated the parts' value, based on costs incurred, at about \$8.5 million, of which DLA stated that it had obtained restitution for about \$4.5 million.

¹Defense Federal Acquisition Regulation Supplement (DFARS), 48 C.F.R §246.407.

²Department of Defense Inspector General, *Defense Logistics Agency Can Improve Its Product Quality Deficiency Report Processing*, DODIG-2015-140 (Arlington, Va.: July 1, 2015).

³Department of Defense Inspector General, *Defense Logistics Agency Aviation Can Improve Its Process to Obtain Restitution from Contractors That Provide Defective Spare Parts*, DODIG-2016-052 (Arlington, Va.: Feb. 23, 2016).

House Report 114-537 included a provision for DLA to brief the House Armed Services Committee by October 1, 2016, on a plan of action (referred to as “the plan” hereinafter in this report) to improve DLA Aviation’s process for identifying defective parts and requesting repair and replacement of the defective parts.⁴ The House report also included a provision for us to, among other things, assess whether the plan ensures that DLA Aviation logistics and aviation personnel address the following four elements:

1. Coordinate and pursue restitution from contractors that provided defective parts;
2. Adequately search the DOD inventory to identify and remove defective parts;
3. Return defective parts to contractors that provided them, for replacement; and
4. Track the status of defective parts shipped back to contractors, and ensure that appropriate restitution is provided in the form of replacement parts.

In this report we examined (1) the extent to which the plan addresses the elements in the House report regarding deficiencies in DLA’s management of defective aviation parts; and (2) the steps DLA has taken since the issuance of the 2016 DOD Inspector General report to implement corrective actions to obtain restitution for defective parts and remove those parts from the inventory.⁵

For objective one, we reviewed the documents that DLA officials collectively referred to as “the plan.” We identified and assessed the relevant parts of the plan relating to the four elements in the House report. We then determined whether the four elements were addressed, partially addressed, or not addressed. When the report explicitly discussed all parts of the required reporting element, we determined that DOD had “addressed” the element. When the report discussed some aspects of an element, but not all, we determined that DOD had “partially addressed” the element.⁶

For objective two, we reviewed DLA data on PQDRs closed from January 2014 through April 2016—including the data the DOD Inspector General recommended that DLA review for progress on obtaining restitution. We also reviewed open and closed PQDRs from September and October 2016, the most current data available at the time of our review. We reviewed these data to determine whether DLA’s corrective actions showed any progress in efforts to improve removal efforts. We interviewed PQDR process experts at DLA Headquarters at Fort Belvoir, Virginia, and DLA Aviation in Richmond, Virginia. To assess the reliability of DLA’s PQDR data, we reviewed DLA’s written responses to a set of questions we asked about its data systems, controls, and quality. We determined that the extracts we used were sufficiently reliable for the purpose of analyzing the disposition of PQDR defective part cases closed by DLA within our timeframes.

⁴H.R. Rpt. No. 114-537, at 109 (2016).

⁵On March 17, 2017, we briefed congressional committees to meet the briefing date specified in the provision.

⁶For this assessment, two GAO analysts conducted independent assessments of the plan. The two analysts then compared their respective assessments and discussed and reconciled any differences. The final assessment reflected their consensus as to whether the elements were addressed, partially addressed, or not addressed. As an example of a GAO report that contains a similar analysis, see GAO, *Defense Additive Manufacturing: DOD Needs to Systematically Track Department-wide 3D Printing Efforts*, [GAO-16-56](#) (Washington, D.C.: Oct. 15, 2015).

We conducted this performance audit from August 2016 through August 2017 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

DLA’s Plan Partially Addresses Each of the Four Elements in the House Report Regarding Deficiencies in DLA’s Management of Defective Aviation Parts

We found that DLA’s plan for corrective action partially addresses each of the four elements in the House report regarding deficiencies in DLA’s management of defective aviation parts, as described below in table 1.

Table 1: Our Assessment of the Extent to Which the Defense Logistics Agency’s (DLA) Plan Addresses the Required Elements

Required Element	Assessment
Coordinate and pursue restitution from contractors that provided defective parts.	Partially Addresses: The plan discusses coordination of efforts, and it broadly discusses restitution. Before restitution can be pursued, DLA needs to determine that the defect is the fault of the contractor, among other things. However, information in the plan shows a large number of PQDRs with undetermined causes, and the plan does not explain how DLA will address defects with undetermined causes.
Adequately search the Department of Defense (DOD) inventory to identify and remove defective parts.	Partially Addresses: The plan broadly discusses efforts for better identification of defective parts. However, the plan does not explain how the search will result in the removal of defective parts from the DOD inventory.
Return defective parts to contractors that provided them, for replacement.	Partially Addresses: The plan broadly discusses processes that include the return of defective parts to the contractors that provided them. However, the plan does not state how implementing these processes could aid in the replacement of the defective parts.
Track the status of defective parts shipped back to contractors, and ensure that appropriate restitution is provided in the form of replacement parts.	Partially Addresses: The plan broadly discusses steps to improve coordination between entities responsible for the tracking of defective parts, and it addresses the tracking of the status of defective parts shipped back to contractors. However, the plan does not discuss how DLA will ensure that the appropriate form of restitution—replacement, repair, or refund—will be provided. ^a

Source: GAO analysis of DOD information. | GAO-17-588R

^aDOD’s Product Quality Deficiency Report process enables customers (e.g., military services) to identify and investigate defective parts, after which DLA searches the inventory and provides for their return to contractors if applicable, and obtains restitution in the form of item repair, replacement, or refund if an investigation concludes that the fault for the defect lies with the contractor.

DLA officials stated that their emphasis was on taking steps to improve the restitution process, rather than on preparing a plan. They added, however, that they are continuing to refine and expand on their plan, and that it is consistent with DLA’s agency-wide strategic plan.

Furthermore, according to DLA documentation, as of May 2017, management oversight has included the review of metrics on the timeliness and completeness of actions taken by all review participants at DLA. Office of Management and Budget (OMB) Circular No. A-123, *Management’s Responsibility for Internal Control*, provides that agency managers are responsible for developing and implementing action plans for taking timely and effective

actions to correct deficiencies identified by reviews, including those of the Inspector General.⁷ Without having a plan that fully addresses noted deficiencies, DLA management and congressional oversight officials lack reasonable assurance that the appropriate corrective actions have been determined and can be effectively implemented, now or in the future.

DLA Has Taken Steps to Improve Restitution and Removal, but Results Remain to Be Determined

DLA has taken steps to improve efforts to obtain restitution for defective spare parts and remove those parts from the department's inventory, but the results of these actions remain to be determined. Specifically, DLA has taken steps toward improving the way in which it both documents and monitors the process for restitution. DLA has issued interim guidance to update its 1993 guidance for restitution for defective parts and, according to officials, has assigned personnel to document, monitor, and review tasks associated with the management of defective parts. As of December 2016, DLA reported that it had obtained about \$4.5 million in restitution for 213 of the 1,769 PQDRs it had categorized as closed for contractor nonconformance from 2014 through April 2016. It had not obtained restitution for 864 of them, and had not begun to pursue restitution for the remaining 692. DLA officials stated that it is not possible to obtain restitution for all PQDRs because either (a) DLA determined that the contractor was not at fault; (b) DLA discovered that the contractor was no longer in business; or (c) DLA did not have enough information to determine whether the contractor was at fault. Officials stated that they are continuing to gather and analyze information, and that the steps described above are relatively recent. The officials noted that their information and findings are preliminary, and therefore they cannot yet identify what additional steps they may need to take.

DLA has also taken steps toward the removal of defective parts from DOD's inventory, but incomplete information is potentially affecting its removal efforts. For example, we examined the 692 PQDRs closed from December 2015 through April 2016 and found incomplete information with regard to contract quantities for 132 of them, and with regard to removal from the DLA supply system for 167 of the PQDRs. Moreover, in August 2016 DLA Aviation updated a job aid that shows product specialists how to perform stock screening and that is used, in part, to identify parts requiring removal. However, we found that among the 381 PQDRs that DLA Aviation received in September and October of 2016—296 of which were open and 85 of which were closed at the time of our review—DLA has identified gaps in the information it uses to conduct stock screenings and remove items from inventory. For example, 37 of the 296 open PQDRs lacked information to identify the contract number, and 28 of the 85 contracts associated with the closed PQDRs lacked information on contract quantities. DLA officials stated that they were aware of the missing information and were working with the military services to address these issues, including establishing a timeframe for completing the effort.

Conclusions

DLA Aviation is responsible for maintaining a sustainable level of inventory in equipment and spare parts to ensure aviation warfighter readiness, among other missions. It has a process,

⁷Office of Management and Budget, OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* (July 15, 2016).

known as the PQDR process, that enables customers (for example, the military services) to identify and investigate defective parts, after which DLA searches the inventory and provides for those parts' return to contractors if applicable, and obtains restitution. Although DLA developed a plan to address deficiencies in the PQDR process that were identified by the Inspector General, our assessment of the plan showed that it lacked key elements, including information on coordination to pursue restitution, inventory search, return of defective parts, and restitution in appropriate form. OMB guidance provides that agency managers are responsible for developing and implementing action plans for taking timely and effective actions to correct deficiencies identified by reviews, including those of the Inspector General. Without having a plan that fully addresses noted deficiencies, DLA management and Congress lack reasonable assurance that the appropriate corrective actions can be effectively determined and implemented, now or in the future.

Recommendation for Executive Action

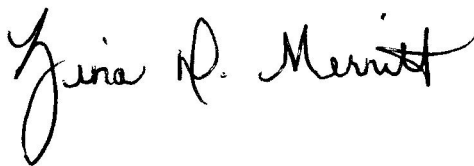
To help ensure that DLA has a plan that can effectively guide corrective actions relating to identified deficiencies in its defective spare parts restitution and removal process, we are recommending that the Secretary of Defense direct the Director of DLA to strengthen its plan to fully address all four of the mandated elements. These include: (1) coordination to pursue restitution, (2) inventory search, (3) return of defective parts, and (4) restitution in appropriate form.

Agency Comments and Our Evaluation

We provided a draft of this report to the Department of Defense (DOD) for review and comment, and DOD's written comments are reproduced in the enclosure. DOD concurred with our recommendation and cited actions it is taking to address the recommendation, as well as other actions it is taking and planning to improve its process for defective aviation parts. We believe that if DOD completes the actions it outlines in its response, these will address the intent of our recommendation.

We are sending copies of this report to the appropriate congressional committees and to the Secretary of Defense and the Director of DLA. The report is also available at no charge on the GAO website at <http://www.gao.gov>.

Should you or your staff have questions concerning this report, please contact me at (202) 512-5257 or merrittz@gao.gov. Contact points for our offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are Sally Newman, Assistant Director; Vincent Buquicchio; Amie Lesser; Martin De Alteriis; Kadambari Vyas; Cheryl Weissman; and Allen Westheimer.



Zina D. Merritt

Director

Defense Capabilities and Management

List of Committees

The Honorable John McCain

Chairman

The Honorable Jack Reed

Ranking Member

Committee on Armed Services

United States Senate

The Honorable Thad Cochran

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The Honorable Richard Durbin

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Subcommittee on Defense

Committee on Appropriations

United States Senate

The Honorable Mac Thornberry

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The Honorable Adam Smith

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Committee on Armed Services

House of Representatives

The Honorable Kay Granger

Chairwoman

The Honorable Peter J. Visclosky

Ranking Member

Subcommittee on Defense

Committee on Appropriations

House of Representatives

Enclosure

Enclosure: Comments from the Department of Defense



LOGISTICS AND
MATERIEL READINESS

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

3500 DEFENSE PENTAGON
WASHINGTON, DC 20301-3500

JUL 26 2017

Ms. Zina D. Merritt
Director, Defense Capabilities and Management
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Ms. Merritt:

This is the Department of Defense (DoD) response to the Government Accountability Office (GAO) Draft Report, GAO-17-588R "DEFENSE LOGISTICS: Plan to Improve Management of Defective Aviation Parts Should Be Enhanced" dated June 26, 2017 (GAO Code 100990). Detailed comments on the report recommendations are enclosed.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kristin K. French".

Kristin K. French
Acting Assistant Secretary of Defense
Logistics and Materiel Readiness

Enclosure:
As stated

**GAO DRAFT REPORT DATED JUNE 26, 2017
GAO-17-588R (GAO CODE 100990)**

**“DEFENSE LOGISTICS: PLAN TO IMPROVE MANAGEMENT OF DEFECTIVE
AVIATION PARTS SHOULD BE ENHANCED”**

**DEPARTMENT OF DEFENSE COMMENTS
TO THE GAO RECOMMENDATION**

RECOMMENDATION 1: To help ensure that DLA has a plan that can effectively guide corrective actions relating to identified deficiencies in its defective spare parts restitution and removal process, the Government Accountability Office (GAO) is recommending that the Secretary of Defense direct the Director of DLA to strengthen its Plan to fully address all four of the mandated elements. This includes: (1) coordination to pursue restitution, (2) inventory search, (3) return of defective parts, and (4) restitution in appropriate form.

DOD RESPONSE: Concur. First, to provide an update to items mentioned in the report, the Defense Logistics Agency has completed all actions in response to recommendations from DODIG-2016-052 and this report is closed. The report on a related follow on audit at Land and Maritime, DoDIG-2017-059 will be closed when the DLA PQDR Restitution Manual and results from the PQDR Continuous Process Improvement (CPI) Project are published, which is scheduled for August 31, 2017 and December 31, 2017, respectively. Second, related to this specific recommendation, DLA conducted a comprehensive review of all PQDRs processed between January 1, 2015 and March 2016. As part of this review, PQDRs that were candidates for Restitution were identified and actions to ensure all steps to remove deficient material from the DoD Inventory, to the maximum extent possible, were completed. DLA also completed comprehensive mapping efforts of related cross-processes and identified gaps and respective improvements. DLA has taken actions to address all four of the mandated elements. They are as follows:

1. Coordination to Pursue Restitution:
DLA Contracting Officers seek restitution when defective material is due to contractor non-compliance. Contracting Officers have a vital role in the PQDR process by determining contractual rights/warranty, notifying contractors, and seeking appropriate restitution, whether it is a repair part, replacement part, or return/recoupment of funds of the defective part. Contracting Officers work with Product Specialists, Resolution Specialists, and other DLA Action Points throughout the PQDR process. DLA has a sound plan when it comes to the coordination to pursue restitution.
 - a. Directive Type Memorandum (DTM) 16-016. Enterprise Product Quality Deficiency Report (PQDR) - Investigation Process and Restitution Process, sets Enterprise policy, responsibilities, procedures, and directs development of internal controls for the entire PQDR process, inclusive of restitution.
 - b. An Enterprise Continuous Process Improvement (CPI) project is developing an elaborate and robust Enterprise approach for the cradle-to-grave PQDR process. This approach is incorporated into the DLA PQDR Processing and Restitution Manual (ECD August 31, 2017).

- c. Oversight activities and reporting continue to evolve to improve execution and refresher training continues as required.
- 2. Inventory Search:
 - a. Per the PQDR Deficiency Report Program Regulation (DLAR 4155.24), actions associated with removal of deficient material from the DOD supply chain are accomplished utilizing Stock Screenings and Alert Notifications, when the quantity of material on a given PQDR may not account for all items delivered.
 - b. DLA established new policy and updated procedures, and provided training on use of same, on required actions to account for all material associated with the PQDR. Guidance is documented in the PQDR Deskbook (October 28, 2016), Stock Screening Job Aids, and the DTM.
- 3. Return of Defective Parts:

DLA adapted processes to ensure visibility of PQDR exhibits by requiring their return to a DLA Depot utilizing Pre-Positioned Receipts to improve tracking of their movement. Additionally, DLA pursues removal of deficient material to the maximum extent possible utilizing Alert Notifications, as described in the PQDR Regulation (DLAR 4155.24), the PQDR Deskbook and associated Job Aids.

 - a. Process owners added direction in the PQDR Deskbook and associated Job Aids to use transactions to document when an Alert is required, the recipient of the Alert and retention of the Alert. If not required, the transaction documents the rationale supporting that decision.
 - b. PQDR Alert Notifications provide Service POCs key information associated with the PQDR (Contract Number, NIIN, Contractor CAGE, and a description of the deficiency and investigation results). The notification provides direction to screen stock for defective material and report the associated defective material to DLA via the PQDR process.
 - c. As part of the CPI project, DLA is developing modifications to the Enterprise business system to automate the Alert process and track customer returns.
- 4. Restitution in appropriate form:

Contracting Officers follow both the Defense Federal Acquisition Regulation Supplement (DFARS) and the Defense Logistics Agency Directive (DLAD) to seek restitution when a defective part is due to contractor non-compliance. Contracting Officers may seek restitution in the following forms: repair, replace, or recoup funds for the defective part. In accordance with DFARS 246.407 “Nonconforming supplies or services,” if nonconforming material or services are discovered after acceptance, the defect appears to be the fault of the contractor, any warranty has expired, and there are no other contractual remedies, the contracting officer—

 - (i) Shall notify the contractor in writing of the nonconforming material or service;
 - (ii) Shall request that the contractor repair or replace the material, or perform the service, at no cost to the Government; and
 - (iii) May accept consideration by reimbursing the Government if offered.

DLA Acquisition Policy revised DLAD Part 46.407 in November 2016 to ensure that DLA Contracting Officers are seeking restitution when PQDRs are due to contractor non-compliance. The DLAD revision also included monthly compliance data calls as well as quarterly briefings to the Senior Procurement Executive (SPE) to identify any restitution risk area(s) that are in need of improvement.

In addition to the actions mentioned above, DLA's Primary Level Field Activities, specifically DLA Aviation and DLA Land & Maritime, have completed additional corrective actions over the past fifteen (15) months.

1. DLA Aviation:
 - a. Improved access to all pertinent policies and procedures to its technical staff through enhancements of a webpage where this information is posted and kept current (March 2016).
 - b. Conducted refresher training and cross-process procedures training for all staff members that process PQDRs, specifically product specialists, resolution specialists, post award acquisition specialists, and supervisors. (May 2016 through April 2017). They also provide additional training as needed.
2. DLA Land and Maritime:
 - a. Refresher training conducted at the same level as noted at DLA Aviation over the past fifteen months. Provides additional training as needed.
 - b. Designated as lead of an Enterprise Integrated Project Team (IPT) working jointly with DLA Aviation, DLA Troop Support, DLA HQ and DLA Distribution to identify corrective actions for exhibit receipt vulnerability.

Finally, DLA's Primary Level Field Activities, specifically DLA Aviation and DLA Land & Maritime, have put into place specific compliance procedures to monitor PQDR processing.

1. DLA Aviation:
 - a. Perform monthly compliance reviews on 10% of closed PQDRs and this information is briefed to executive leadership (February 2016, on-going).
 - b. Established dedicated monitors to oversee process hand-offs between technical and acquisition personnel and track restitution activities (March 2016, on-going).
 - c. Deployed an elevation process to enhance visibility to challenges encountered by the technical community during the processing of PQDRs (May 2017, on-going).
 - d. PQDR performance metrics briefed monthly to executive leaders.
2. DLA Land and Maritime:
 - a. Perform monthly compliance reviews on contractor non-compliant PQDRs to monitor execution of the various stages of the PQDR investigations. Also, reviews a sample of PQDRs closed as "undetermined" to validate proper coding. Findings and recommended follow-on actions are briefed to Supply Chain leadership (ongoing).
 - b. Established Post Award monitors (not dedicated) to oversee process hand-off from Product Specialist and Post Acquisition Specialist and track restitution hand-off (March 2017).

Enclosure

Text of Comments from the Department of Defense

Page 1

JUL 26, 2017

Ms. Zina D. Merritt

Director, Defense Capabilities and Management

U.S. Government Accountability Office 441 G Street, N.W .

Washington, DC 20548 Dear Ms. Merritt:

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Sincerely,

Kristin K. French

Acting Assistant Secretary of Defense Logistics and Materiel Readiness

Enclosure: As stated

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DEPARTMENT OF DEFENSE COMMENTS TO THE GAO RECOMMENDATION

RECOMMENDATION 1: To help ensure that DLA has a plan that can effectively guide corrective actions relating to identified deficiencies in its defective spare parts restitution and removal process, the Government Accountability Office (GAO) is recommending that the Secretary of Defense direct the Director of DLA to strengthen its Plan to fully address all four of the mandated elements. This includes:

(1) coordination to pursue restitution , (2) inventory search, (3) return of defective parts, and (4) restitution in appropriate form.

DOD RESPONSE: Concur. First, to provide an update to items mentioned in the report , the Defense Logistics Agency has completed all actions in response to recommendations from DODIG-2016-052 and this report is closed. The report on a related follow on audit at Land and Maritime , DoDIG-2017-059 will be closed when the DLA PQDR Restitution Manual and results from the PQDR Continuous Process Improvement (CPI) Project are published , which is scheduled for August 31 , 2017 and December 31, 2017, respectively. Second, related to this specific recommendation , DLA conducted a comprehensive review of all PQDRs processed between January 1, 2015 and March 2016. As part of

this review , PQDRs that were candidates for Restitution were identified and actions to ensure all steps to remove deficient material from the DoD Inventory, to the maximum extent possible, were completed.

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DLA also completed comprehensive mapping efforts of related cross-processes and identified gaps and respective improvements. DLA has taken actions to address all four of the mandated elements. They are as follows:

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Contracting Officers work with Product Specialists, Resolution Specialists, and other DLA Action Points throughout the PQDR process. DLA has a sound plan when it comes to the coordination to pursue restitution.

- a. Directive Type Memorandum (DTM) 16-016. Enterprise Product Quality Deficiency Report (PQDR) - Investigation Process and Restitution Process, sets Enterprise policy, responsibilities, procedures, and directs development of internal controls for the entire PQDR process, inclusive of restitution.
- b. An Enterprise Continuous Process Improvement (CPI) project is developing an elaborate and robust Enterprise approach for the cradle-to-grave PQDR process. This approach is incorporated into the DLA PQDR Processing and Restitution Manual (ECO August 31, 2017).

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- c. Oversight activities and reporting continue to evolve to improve execution and refresher training continues as required.

2. Inventory Search:

- a. Per the PQDR Deficiency Report Program Regulation (OLAR 4155.24), actions associated with removal of deficient material from the DOD supply chain are accomplished utilizing Stock Screenings and Alert Notifications, when the quantity of material on a given PQDR may not account for all items delivered.
- b. DLA established new policy and updated procedures, and provided training on use of same, on required actions to account for all material associated with the PQDR. Guidance is documented in the PQDR Deskbook (October 28, 2016), Stock Screening Job Aids, and the DTM.

3. Return of Defective Parts:

DLA adapted processes to ensure visibility of PQDR exhibits by requiring their return to a DLA Depot utilizing Pre-Positioned Receipts to improve tracking of their movement.

Additionally, DLA pursues removal of deficient material to the maximum extent possible utilizing Alert Notifications, as described in the PQDR Regulation (OLAR 4155.24), the PQDR Deskbook and associated Job Aids.

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a. Process owners added direction in the PQDR Desk book and associated Job Aids to use transactions to document when an Alert is required , the recipient of the Alert and retention of the Alert. If not required , the transaction documents the rationale supporting that decision.

b. PQDR Alert Notifications provide Service POCs key information associated with the PQDR (Contract Number , NIIN , Contractor CAGE, and a description of the deficiency and investigation results) . The notification provides direction to screen stock for defective material and report the associated defective material to DLA via the PQDR process .

c. As part of the CPI project , DLA is developing modifications to the Enterprise business system to automate the Alert process and track customer returns.

4. Restitution in appropriate form:

Contracting Officers follow both the Defense Federal Acquisition Regulation Supplement (OFARS) and the Defense Logistics Agency Directive (DLAD) to seek restitution when a defective part is due to contractor non-compliance . Contracting Officers may seek restitution in the following forms: repair, replace, or recoup funds for the defective part . In accordance with DFARS 246.407 "Nonconforming supplies or services," if nonconforming material or services are discovered after

acceptance, the defect appears to be the fault of the contractor, any warranty has expired , and there are no other contractual remedies, the contracting officer-

- (i) Shall notify the contractor in writing of the nonconforming material or service;
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- (iii) May accept consideration by reimbursing the Government if offered .

DLA Acquisition Policy revised DLAD Part 46.407 in November 2016 to ensure that DLA Contracting Officers are seeking restitution when PQDRs are due to contractor non-compliance . The DLAD revision also included monthly compliance data calls as well as quarterly briefings to the Senior Procurement Executive (SPE) to identify any restitution risk area(s) that are in need of improvement.

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In addition to the actions mentioned above, DLA 's Primary Level Field Activities, specifically DLA Aviation and DLA Land & Maritime, have completed additional corrective actions over the past fifteen (15) months.

1. DLA Aviation:

- a. Improved access to all pertinent policies and procedures to its technical staff through enhancements of a webpage where this information is posted and kept current (March 2016).
- b. Conducted refresher training and cross-process procedures training for all staff members that process PQDRs, specifically product specialists, resolution specialists, post

Enclosure

award acquisition specialists, and supervisors. (May 2016 through April 2017). They also provide additional training as needed.

2. DLA Land and Maritime:

- a. Refresher training conducted at the same level as noted at DLA Aviation over the past fifteen months. Provides additional training as needed.
- b. Designated as lead of an Enterprise Integrated Project Team (IPT) working jointly with DLA Aviation , DLA Troop Support, DLA HQ and DLA Distribution to identify corrective actions for exhibit receipt vulnerability.

Finally, DLA 's Primary Level Field Activities, specifically DLA Aviation and DLA Land & Maritime, have put into place specific compliance procedures to monitor PQDR processing.

1. DLA Aviation:

- a. Perform monthly compliance reviews on 10% of closed PQDRs and this information is briefed to executive leadership (February 2016, on-going).
- b. Established dedicated monitors to oversee process hand-offs between technical and acquisition personnel and track restitution activities (March 2016, on-going).
- c. Deployed an elevation process to enhance visibility to challenges encountered by the technical community during the processing of PQDRs (May 2017, on-going).
- d. PQDR performance metrics briefed monthly to executive leaders.

2. DLA Land and Maritime :

- a. Perform monthly compliance reviews on contractor non-compliant PQDRs to monitor execution of the various stages of the PQDR investigations. Also, reviews a sample of PQDRs closed as "undetermined " to validate proper coding. Findings and recommended follow-on actions are briefed to Supply Chain leadership (ongoing).
- b. Established Post Award monitors (not dedicated) to oversee process hand-off from Product Specialist and Post Acquisition Specialist and track restitution hand-off (March 2017).

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