

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

**ARMY PROCUREMENT OF SPARE PARTS FOR THE
M1A2 ABRAMS TANK**

Report No. 94-033

January 28, 1994

Department of Defense

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Acronyms

AMCCOM
J&A

Army Armament, Munitions, and Chemical Command
Justification and Approval



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

January 28, 1994

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Audit Report on the Army Procurement of Spare Parts for the M1A2 Abrams Tank (Report No. 94-033)

Introduction

We are providing this memorandum report for the Army's information and use. We performed the audit in response to DoD Hotline allegations pertaining to the certification of the justification and approval (J&A) document for the acquisition of spare parts for the M1A2 Abrams tank. The complainant alleged that contracting and technical personnel at the Army Armament, Munitions, and Chemical Command (AMCCOM), Army Materiel Command, Rock Island, Illinois, certified the J&A document even though it incorrectly stated that General Dynamics Land Systems (General Dynamics), the development contractor for the M1A2 Abrams tank, was the actual manufacturer of various M1A2 Abrams tank spare parts. The complainant stated that contracting and technical personnel should have been able to identify General Dynamics' actual sources of supply because the contractor was required to provide this information. The complainant further alleged that certifications of J&A documents have become so routine that these certifications are worthless or even fraudulent.

Audit Results

Although we substantiated that the initial AMCCOM J&A document was incorrect, AMCCOM corrected the J&A document before final approval by the Army Materiel Command and before our audit was announced. In addition, although General Dynamics' actual sources of supply were known, AMCCOM had no intention of breaking out the spare parts for direct buy from the actual source or through competition because the M1A2 Abrams tank is still in the development stage. The M1A2 Abrams tank configuration is unstable, and the technical data package will not be available until approximately July 1995. Therefore, spare parts and component break out for competitive procurement cannot be undertaken at this stage of development without an unacceptable level of risk. AMCCOM did routinely certify J&A documents, but these documents were prepared in accordance with Federal and DoD acquisition regulations and supported the procurement decision; consequently, the second allegation was not substantiated.

Objectives

The objectives of the audit were to determine whether the Army followed Federal and DoD acquisition regulations when procuring spare parts for the M1A2 Abrams tank and to examine applicable internal controls.

Scope and Methodology

We performed the audit at the organizations listed in Enclosure 1. We reviewed FY 1993 Army acquisition records, including 17 J&A documents for contracts valued at \$299 million, for the procurement of spare parts for the Bradley fighting vehicle and the M1A1 and M1A2 models of the Abrams tank. We also evaluated Army procedures for screening breakout components and for processing J&A documents. In addition, we interviewed contracting and technical personnel at AMCCOM and at the M1A2 Abrams Tank Program Executive Office, Armored Systems Modernization, a tenant organization at the Army Tank-Automotive Command, Army Materiel Command, Warren, Michigan.

This economy and efficiency audit was made from August through October 1993 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. Accordingly, we included such tests of internal controls as were considered necessary. We did not use computer-processed data or statistical sampling procedures to perform the audit.

Internal Controls

We evaluated the effectiveness of the Army's internal controls applicable to the processing of J&A documents. This evaluation consisted of reviews of programmatic controls and contract and quality records and interviews with contracting and program personnel. Our review of internal controls did not evaluate the implementation of the Federal Manager's Financial Integrity Act. The internal controls applicable to the audit objectives were deemed to be effective in that the audit disclosed no material deficiencies.

Prior Audits and Other Reviews

No audits addressed this specific topic in the last 5 years.

Background

The M1A2 Abrams Tank Program Executive Office manages the development, acquisition, fielding, and support of the M1A2 Abrams tank. The Army Tank-Automotive Command and AMCCOM provide the contracting support functions and manage the acquisition of spare parts for the M1 Series Abrams tank. The Army Tank-Automotive Command is primarily responsible for contracting support and acquisition management for the hull and motor portions of the M1 Series Abrams tank, while AMCCOM is responsible for the turret portion.

In February 1993, the Army noncompetitively awarded long-lead material contract DAAE07-93-C-A003 to General Dynamics for the upgrade of the Abrams tank from the M1 to the M1A2 model. The upgrade will be accomplished in two phases. Phase 1 will upgrade approximately 208 tanks and will begin in October 1994. Phase 2 will upgrade an additional 800 to 900 tanks and will begin in 1997. AMCCOM initiated a J&A document that was approved by the Army Materiel Command on August 17, 1993, for the noncompetitive procurement of spare parts from General Dynamics for the phase 1 upgrade. The parts are for use in components unique to the M1A2 Abrams tank. The J&A document is required by Federal Acquisition Regulation 6.3, "Other Than Full and Open Competition," to justify a noncompetitive procurement.

Discussion

Although we substantiated allegation 1 of the DoD Hotline complaint, the complaint was premature because the Army corrected the J&A document before final approval. We did not substantiate allegation 2. Each allegation is discussed below.

Allegation 1. The complainant alleged that the J&A document for the acquisition of spare parts for the M1A2 Abrams tank incorrectly stated that General Dynamics was the actual manufacturer of the spare parts.

Audit Response. The Army followed Federal and DoD acquisition regulations when procuring spare parts for the M1A2 Abrams tank. The initial J&A document statement incorrectly named General Dynamics as the actual manufacturer of the spare parts when in fact others manufactured the parts. However, AMCCOM corrected the J&A document on August 10, 1993, before final approval by the Army Materiel Command on August 17, 1993. AMCCOM changed part 5.a. of the J&A document, removing the statement that General Dynamics was the actual manufacturer of the spare parts and that there were no breakout vendors. The corrected J&A document stated that the spare parts cannot be broken out to vendors at this time because the unstable configuration and long lead times for procuring materials presented an unacceptable risk to the Government.

AMCCOM contracting and technical personnel certified the initial J&A document that included the incorrect statement; however, we concluded that their oversight was unintentional. Although the J&A document erroneously cited General Dynamics as the actual manufacturer of spare parts and stated that there were no breakout vendors for M1A2 Abrams tank spare parts, the J&A document did present a good case for not breaking out spare parts. The J&A document correctly stated that the M1A2 Abrams tank was in full-scale development, and therefore the design was unstable. The J&A document also stated that a technical data package would not be available until approximately July 1995 and that General Dynamics, as the prime contractor, had the expertise, production facility, configuration control, and overall management capability to produce and deliver the requirements within an acceptable time frame. AMCCOM contracting and technical personnel are correct in their statement that procurement from other than General Dynamics is unrealistic at this time. The J&A document for the noncompetitive acquisition of M1A2 spare parts from General Dynamics was justified.

Allegation 2. The complainant alleged that certifications of J&A documents have become so routine that the certifications are worthless or even fraudulent.

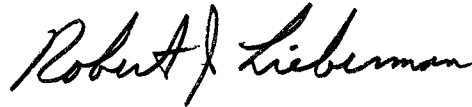
Audit Response. Our review of 17 J&A documents related to the M1 Series Abrams tank and interviews with AMCCOM contracting and technical personnel did not substantiate the complainant's allegation that certifications have become so routine that the certifications are worthless or even fraudulent. The 17 J&A documents were properly prepared in accordance with Federal and DoD acquisition regulations and supported the procurement decision. AMCCOM did routinely certify J&A documents involving the M1 Series Abrams tank, but such routine certification was acceptable because General Dynamics was the tank development contractor. We found no indication that certifications of J&A documents were worthless or fraudulent.

Management Comments

We provided a draft of this report to the Army on December 6, 1993. Because the report contained no recommendations, no comments were required of management, and none were received. Therefore, we are publishing this report in final form.

We appreciate the cooperation and courtesies extended to the audit staff. If you have questions on this audit, please contact Mr. Salvatore D. Guli, Program Director, at (703) 692-3025 (DSN 222-3025) or Mr. Bruce A. Burton, Project

Manager, at (703) 692-3118 (DSN 222-3118). Copies of this report will be distributed to the organizations listed in Enclosure 2. Audit team members are listed inside the back cover.

A handwritten signature in black ink, reading "Robert J. Lieberman". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Robert J. Lieberman
Assistant Inspector General
for Auditing

Enclosures

Organizations Visited or Contacted

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition, Washington, DC
Director of Defense Procurement, Washington, DC

Department of the Army

Inspector General, Department of the Army, Washington, DC
Army Armament, Munitions, and Chemical Command, Army Materiel Command,
Rock Island, IL
Army Tank-Automotive Command, Army Materiel Command, Warren, MI

Defense Organization

Defense Logistics Agency, Alexandria, VA

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Committees and Subcommittees:

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Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Operations
House Subcommittee on Legislation and National Security,
Committee on Government Operations

Audit Team Members

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