RESPONSE TO DOD OIG REPORT DODIG-2025-009 PURSUANT TO JAMES M. INHOFE NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2023, PUB. L. NO. 117-263, SECTION 5274

The Department of Defense Office of Inspector General (DoD OIG) attaches the following response received from a specifically identified non-governmental organization or business entity as required by the James M. Inhofe National Defense Authorization Act for Fiscal Year 2023, Public Law. No. 117-263, § 5274.

The DoD OIG offers no comment and makes no representations, express or implied, of any nature with respect to the matters stated in the attached response.

The Boeing Company
4060 North Lakewood Blvd.
Long Beach, CA 90808

November 27, 2024

Via Email Transmittal: audacs@dodig.mil

Inspector General
U.S. Department of Defense
4800 Mark Center Drive
Suite 13F25-04
Alexandria, VA 22350-155

Attention: Ms. Carmen J. Malone
Assistant Inspector General for Audit, Acquisition, Contracting & Sustainment

Subject: Boeing's Response to (U) Audit of C-17 Spare Parts Pricing

Reference: Report No DODIG-2025-009

Dear Ms. Malone:

The Boeing Company has received and reviewed IG Report No. DODIG-2025-009, (U) Audit of C-17 Spare Parts Pricing (the "Report"). We appreciate the Inspector General's oversight of the program and are grateful for every opportunity we have to provide the highest quality products and services to the Government in the most cost-efficient manner. To that end, we provide below additional clarification and context for certain elements of the Report under Section 5274 of the James M. Inhofe National Defense Authorization Act for Fiscal Year 2023, Public Law No. 117-263.

In executing the Air Force Performance Based Logistics (PBL) contracts under review, Boeing provided the customer an upfront forecast of parts and prices it expects to pay which, subject to supplier negotiations, set the target cost and incentive fee profit rate. Boeing procured all parts using government-approved procurement processes, often including competition between two or more suppliers. In multiple cases, Boeing also negotiated an additional price reduction beyond the initial most competitive bid.

The Report relies upon price comparisons between selective parts qualified and approved for use on the C-17 and off-the-shelf products. However, in soliciting supplier bids, Boeing is not permitted to purchase "similar but commercially available" off-the-shelf versions for use on a C-17 aircraft. Rather, all parts must be qualified to meet the requirements of the C-17 in accordance airworthiness regulations (including Department of Defense Directive 5030.61, and Air Force Policy Directives 62-6 and 62-601). These regulations prevent Boeing from simply substituting off-the-shelf alternates that would change aircraft configuration. Therefore, the hypothetical price comparisons are inapt and do not reflect Boeing's profits on the procurement of the twelve parts or the overall contracts.

While procurement of these parts were compliant to both required airworthiness and Federal Acquisition Regulations (FAR) standards, to enhance future affordability and efficiency, Boeing will work with the Air Force to address the Report's recommendations and customer implementing directives, including the pursuit of a broader use of alternate parts that do not have significant airworthiness implications.

We appreciate the ability to provide these clarifying comments and additional context to the Report. Ensuring the availability and readiness of the C-17 is critical to the national defense, and we are honored to support the Air Force to meet mission needs.

Sincerely,

Andrew Hugen, 1071528

Digitally signed by Andrew Hugen, [redacted]

Andy Hugen
C-17 Contracts Senior Manager
The Boeing Company