

**STATEMENT BY**

**MITCHELL A. HOWELL  
EXECUTIVE DIRECTOR, GROUND SYSTEMS AND MUNITIONS  
DIVISION  
DEFENSE CONTRACT MANAGEMENT AGENCY**

**BEFORE THE**

**COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM  
UNITED STATES HOUSE OF REPRESENTATIVES**

**ON**

**WEAPONS, AMMUNITION, AND MUNITIONS SALES TO IRAQ AND  
AFGHANISTAN**

**SECOND SESSION, 110<sup>TH</sup> CONGRESS**

**JUNE 24, 2008**

**NOT FOR PUBLICATION  
UNTIL RELEASED BY THE  
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM  
UNITED STATES HOUSE OF REPRESENTATIVES**

Chairman Waxman, Congressman Davis and distinguished members of the Committee on Oversight and Government Reform, I appreciate the opportunity to appear before you and discuss your concerns about the Defense Contract Management Agency's (DCMA) contract administration and more particularly product acceptance processes for various types of non-standard ammunition. The contract at issue was for the procurement and delivery of various non-standard ammunition types for the Afghanistan National Police and the Afghanistan National Army. The contract was awarded in January 2007 to AEY, Inc., located in South Florida. The Joint Munitions and Lethality Life Cycle Management Command (JM&L LCMC), through their supporting Acquisition Center at Rock Island, Illinois, requested a limited pre-award survey from DCMA in December 2006. Their request to DCMA was limited to an analysis of AEY's financial and transportation capability. In January 2007, DCMA found AEY to be satisfactory in both of the evaluated capabilities. AEY had a history of satisfactory performance on similar contracts, showed increasing revenue growth, adequate capitalization and was considered low risk for the evaluated capabilities. DCMA conducted a post-award conference in March 2007 with AEY representatives to confirm contract technical, quality and safety performance requirements. At the meeting, it was understood that all ammunition would be off-the-shelf and previously manufactured. All storage, packaging, and transportation were required to be to international best commercial practices. AEY affirmed their

understanding of these requirements. The contract's packaging and quality terms and conditions, specified by the buying command, had been utilized in previous contracts without any identified discrepancies.

The contract required kind, count and condition inspection. There was no age limitation on the procured ammunition. Product acceptance took two distinct forms. For domestic sources, acceptance was performed at origin. For outside the continental United States (OCONUS) sources, acceptance was performed at destination. The contract terms allowed the contractor to submit "Certificates of Conformance" (COC) for OCONUS-sourced items. The Federal Acquisition Regulation (FAR) authorizes buying commands to allow contractor use of COCs in lieu of more stringent government inspection criteria, especially where risk is determined to be low. In addition, the government maintains its inspection rights regardless of whether the contract allows for the use of COCs or not.

The items of concern originated from OCONUS sources. The OCONUS shipments were delivered to the airport. Due to limitations at the airfield, kind, count, and condition inspection took place after movement of the ammunition from the airfield to the bunkers. Ordnance commissioned and non-commissioned officers conducted that inspection. These officers have specialized ammunition training and the expertise necessary to perform kind, count and condition inspection. COCs were acknowledged by the ordnance officers at the delivery point. In these COCs, the contractor certified the ammunition provided was in

acceptable condition and could be safely fired, in an originally chambered weapon or weapon system.

Due to the off-the-shelf nature of the OCONUS-sourced non-standard ammunition, DCMA's inspection and acceptance services were very limited. For OCONUS to OCONUS shipments, these duties primarily involved processing payment after receipt of invoices and a COC signed by both the contractor and ordnance officer conducting the inspection.

DCMA has been a critical strategic partner in helping the buying command fashion a new acquisition strategy for Non-Standard Ammunition. Letters of Delegation requiring enhanced scrutiny of non-standard ammunition items have recently been accepted by DCMA. We have already performed some of these delegated functions on short notice in support of urgent ammunition requests. We are confident that the more stringent specifications and corresponding inspection and acceptance requirements will greatly enhance the likelihood that only conforming ammunition will be presented and accepted in the future. DCMA is fully engaged with our buying command partners to ensure we continue to improve the processes related to the acquisition and acceptance of non-standard ammunition.

In addition to the improvements already mentioned, DCMA's internal realignment enhances our contract administration operations. Subsequent to the award of this contract, DCMA realigned into product groupings, including the Munitions and Support Systems Contract Management Office, facilitating better

customer service and subject matter expertise minimizing the potential for situations like this one in an environment of increasing mission and constrained resources.

We appreciate the Congressional support of our efforts as the Department's primary contract management agency in providing our nation's warfighters and allies with quality products and services. Again, thank you for the opportunity to appear before this Committee today to address DCMA's role in this matter. I will now answer any questions the Committee may have.