DEFENSE CONTRACT MANAGEMENT AGENCY
DCMA Aeronautical Systems Division
Aircraft Integrated Maintenance Operations-Greenville
244 Terminal Road, Building 1308
Greenville, South Carolina 29605

IN REPLY REFER TO DCMAA-AML

October 5, 2009

Lockheed Martin Logistics Services
Attention: Mr. John Cary
244 Terminal Road
Greenville, SC 29605

Subject: Level III Corrective Action Request for Deficiencies Noted in Government Property Control System

References

A. Federal Acquisition Regulation 52.245-1 (b), Property Management (1&2)
B. Federal Acquisition Regulation 52.245-1 (f), Contractors Plans and Systems (1) (iii)

Dear Mr. Cary

This Level III Corrective Action Request (CAR) is the result of systemic deficiencies noted in the Government Property Control System. These deficiencies, which have been previously identified by DCMA under the Annual Government Property Control System Audit and subsequently reported as corrected by Lockheed Martin, have recently contributed to the destruction of four serviceable P-3 engine Nacelles in a demilitarization effort on July 30, 2009. Reference A requires the contractor to maintain a system to control, use, preserve, protect, repair and maintain Government Property and Reference B requires the contractor to manage Government Property to be accountable and maintain official records of all Government Property in their possession.

On or about September 16, 2009, it was revealed that four serviceable nacelles removed from P-3 aircraft 158563 which should have been retained for future use were destroyed. Further investigation of this incident revealed the following areas of non-compliance:

a. Government Property is not properly marked and identified as either serviceable or unserviceable and/or as to origin.
b. Serviceable and unserviceable Government Property is being commingled.
c. Government and Contractor property is being commingled.
d. Residual and/or property no longer required for an aircraft is not being properly accounted for and returned to stock after aircraft departs and/or a determination that the property is no longer needed.
e. Government Property is not being adequately protected (exposed to outdoor elements without proper protection).
f. Major components were destroyed without proper approval from all Government Offices.

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Overall control of Government Property has been a continuing issue for the past 6 years. Annual property surveys have been rated inadequate or marginally satisfactory since 2003, and have identified similar deficiencies in the acquisition, identification, movement, maintenance, and destruction of Government Property. The above findings indicate a systemic breakdown in the Government Property Control required by FAR 52.245-1 which requires immediate and decisive action by Lockheed Martin management. DCMA requests a plan for corrective action to prevent reoccurrences be provided with a response due October 16, 2009.

Please submit a corrective action plan that addresses each of the non-compliances noted above individually. The Corrective Action Plan (CAP) should include:

a. Root cause of the non-compliance
b. Action taken to correct the specific deficiency
c. Determination if other products are affected
d. Corrective actions taken or planned to eliminate root cause
e. Actions taken to prevent recurrence; most recent contractor internal audits findings, corrective actions regarding the affected process
f. Target date for implementation of planned actions.

This office will be responsive to requests that you may have for further clarification on the identified problem. If additional information or assistance is required please contact Mr. Michael Hendrix, Property Administrator, at 864-299-7334, or via email at mike.hendrix@dcma.mil .

It should be understood that none of the actions discussed herein or proposed are a direction that authorizes a delay in delivery or a change in contractual requirements.

Sincerely,

Michael J. Meyer, Lt Col,
Commander

cc:

Ms. Marie Greening	Ms. Leigh Owens
Col Aaron Clark	Mr. Tim McCorkle
Ms. Kara Luton	CDR Shane Tallent
Capt Daniel Cuff	Capt Mike Moran
Ms. Kathy Bolton	Ms. Paula Merritt