MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION, TECHNOLOGY AND LOGISTICS
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL MANAGEMENT AND COMPTROLLER)
DIRECTOR, DEFENSE CONTRACT AUDIT AGENCY
DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY

SUBJECT  Audit of Hotline Allegation Concerning the Use of Federal Acquisition Regulation Part 12 Contract to Acquire the C-17 Aircraft (Project D2000AE-0272.001)

We plan to begin the subject audit in November 2000. We initiated the audit based on the Hotline allegation that DoD plans to inappropriately use Federal Acquisition Regulation (FAR) Part 12, “Acquisition of Commercial Items,” procedures to acquire C-17 aircraft, which would adversely affect the ability of DoD to ensure fair and reasonable contract prices. We will examine the documentation and process related to determining whether the C-17 aircraft is a commercial item.

The primary audit locations will be Offices of the Under Secretary of Defense for Acquisition, Logistics, and Technology; the Assistant Secretary of the Air Force (Acquisition); the Director, Defense Contract Management Agency; the Director, Defense Contract Audit Agency, and the C-17 Aircraft Program Office. We will visit other DoD organizations and contractor locations identified during the audit.

Please designate a point of contact and furnish the name and telephone number to Mr. John E. Meling, at (703) 604-9091 (DSN 664-9091) (jmeling@dodi.osd.mil).

David K. Steensma
Deputy Assistant Inspector General
For Auditing
The Honorable F. Whitten Peters  
Secretary of the Air Force  
The Pentagon, Room 4E886  
Washington, D.C. 20330

Dear Secretary Peters:

It has come to our attention that the Air Force may be considering a commercial item designation for the C-17. We are writing to signal our strongest possible opposition to any such unjustifiable determination. Designating the C-17 weapon system as a commercial item would be nothing more than a transparent attempt to circumvent important provisions of the law designed to preserve a core logistics capability for our critical military weapon systems. As we continue to work with the Air Force to preserve this core capability, and bring the Air Force back into compliance with section 2466, any move to exempt our nation’s premier strategic airlift asset from this process would be viewed most unfavorably and would be met with swift legislative opposition.

Your prompt investigation of this matter is appreciated. Please inform us at your earliest convenience whether or not this bad idea has been stopped. We are sure you would agree that setting the precedent that our primary strategic airlifter, which was developed solely by the Air Force and which has never been sold commercially, is somehow a commercial item is very troubling to say the least. We look forward to hearing from you soon.

Sincerely yours,

[Signatures]

James V. Hansen  
Solomon Ortiz  
Walter B. Jones

Member of Congress  
Member of Congress  
Member of Congress

[Signatures]

Saxby Chambliss  
J.C. Watts, Jr.

Member of Congress  
Member of Congress