

SUPPORTING STATEMENT

OMB Control Number 0704-0441 — Defense Federal Acquisition Regulation Supplement, Part 246, Quality Assurance, and Related Clauses in DFARS 252.246

A. JUSTIFICATION

1. Need for the Information Collection

This justification supports renewal and revision of OMB Control Number 0704-0441. This renewal includes the incorporation of OMB Control Number 0704-0541. The information collections under OMB Control Number 0704-0441 now pertain to all information that offerors or contractors must submit related to DFARS contract quality assurance programs. (See paragraph 4 below.) Specific circumstances requiring information collections under 0704-0441 are as follows:

a. 252.246-7003, Notification of Potential Safety Issues, requires contractors to provide notification of (1) all nonconformances for parts identified as critical safety items acquired by the Government under the contract, and (2) all nonconformances or deficiencies that may result in a safety impact for systems, or subsystems, assemblies, subassemblies, or parts integral to a system acquired by or serviced for the Government under the contract.

b. 252.246-7005, Notice of Warranty Tracking of Serialized Items, requires an offeror to provide with its offer, for each contract line item number, warranty tracking information for each warranted item.

c. 252.246-7006, Warranty Tracking of Serialized Items, requires contractors, for warranted items, to provide (1) the unique item identifier, and (2) the warranty repair source information and instructions.

d. 252.246-7008, Sources of Electronic Parts, paragraph (c)(3)(ii) of the clause requires DoD contractors and subcontractors that are not the original manufacturer of or an authorized supplier for an electronic part to make available to the Government, upon request, the information below. (Transferred in from 0704-0541.)

- Documentation of traceability from the original manufacturer of electronic parts to acceptance by the Government; or
- When traceability of electronic parts cannot be established, documentation of the inspection, testing, and authentication performed in accordance with industry standards.

In addition, in accordance with paragraph (b)(3)(ii) of the clause, DoD contractors and subcontractors are required to promptly notify the contracting officer in writing and make

available, upon request, documentation of inspection, testing, and authentication of an electronic part, if the contractor or subcontractor is unable to—

- Obtain an electronic part that is—
 - In production by the original manufacturer or an authorized aftermarket manufacturer;
 - Currently available in stock from the original manufacturer, an authorized supplier, or a supplier who obtain such parts exclusively from the original manufacturer or an authorized supplier of those parts; or
 - From a contractor-approved supplier where the contractor assumes responsibility for the authenticity of the part; or
- Confirm that an electronic part is new or not previously used and that it has not been comingled in supplier new production or stock with used, refurbished, reclaimed, or returned parts.

2. Use of the Information

a. 252.246-7003, Notification of Potential Safety Issues. Contracting officers require timely notification of potential safety defects so that (1) systems and equipment likely affected by the situation can be readily identified, and (2) appropriate engineering investigation and follow-on actions can be taken to establish and mitigate risk.

b. 252.246-7005, Notice of Warranty Tracking of Serialized Items. The information provided by offerors under this provision alerts contracting officers in those cases where the offeror is proposing to provide a warranty for an individual contract line item for which DoD has not specified a warranty in the solicitation. The warranty notice will permit the Government to recognize and utilize any warranty after contract award.

c. 252.246-7006, Warranty Tracking of Serialized Items, implements section 818 of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2012 (Pub. L. 112-81 as amended by section 817 of the NDAA for FY 2015 (Pub. L. 113-291). The information provided by contractors allows DoD to track warranties for item unique item identification (IUID) required items in the IUID registry to obtain maximum utility of warranties provided on contracted items. The identification and enforcement of warranties is essential to the effectiveness and efficiency of DoD's material readiness. Providing visibility and accountability of warranty data associated with acquired goods, from the identification of the requirement to the expiration date of the warranted item, significantly enhances DoD's ability to take full advantage of warranties, resulting in—

- (1) Reduced costs;
- (2) Ability to recognize benefits included at no additional cost;

- (3) Ability to compare performance against Government-specified warranties; and
- (4) Identification of sufficient durations for warranties for specific goods.

d. 252.246-7008, Sources of Electronic Parts. The notification and documentation requirements described in section 1 of this supporting statement are necessary to comply with statute. The contracting officer will use the information to ensure that the contractor performs traceability/tracking and the additional inspection, testing, and authentication required when an electronic part is not obtained from a trusted supplier. The Government may also use this information to more actively perform acceptance.

3. Use of Information Technology

Information technology is used to the maximum extent practicable and 100 percent of the responses are anticipated to be collected electronically. Contractors are required to submit their warranty data in electronic format that is accessible via the Product Data Reporting and Evaluation Program (PEDREP) to record the warranty and source of repair information. Use of the electronic PEDREP formats ensures that the data elements for warranty terms are effectively transmitted through various systems, such as Electronic Document Access, Procurement Integrated Enterprise Environment (PIEE) (formerly known as Wide Area WorkFlow), the Invoice, Receipt, Acceptance and Property Transfer module and the PEDREP Warranty Tracking database. Compliance documentation for electronic parts may also be submitted via electronic means.

4. Non-duplication

As a matter of policy, DoD reviews the Federal Acquisition Regulation to determine if adequate language already exists. The language in DFARS part 246 applies solely to DoD and is not considered duplicative of the language in FAR part 46. Since the nature of the reporting requirement is contract specific, similar information is not readily available.

DoD strives to streamline management of Paperwork Reduction Act requirements and looks for opportunities to consolidate the number of individual renewals required for each DFARS part during the three-year renewal cycle. Accordingly, the information collection requirement approved under OMB Control Number 0704-0541, which expires September 30, 2019, is being included in this justification for inclusion under 0704-0441. Upon the approval of the expansion and extension of OMB Control Number 0704-0441, OMB will be requested to discontinue 0704-0541.

5. Burden on Small Business

The collection of this information is not expected to have a significant impact on a substantial number of small businesses or other small entities. The requirements for information collection are only occasional as the circumstances dictate. The burden applied to small business is the minimum consistent with applicable laws, Executive orders, regulations, and prudent business practices.

6. Less Frequent Collection

Since the nature of the reporting requirement is contract specific, similar information is not readily available elsewhere; therefore, collection is required on a case-by-case basis pursuant to the solicitation provision or contract clause requirements. The consequence of not collecting the information in this manner is the potential for safety repercussions or the loss of warranties for contracted items. For clause 252.246-7008, contractors will only make documentation regarding traceability and inspection, testing, and authentication, upon request by the Government. In addition, the contractor is only required to notify the contracting officer if the contractor is *unable* to buy an electronic part from a trusted supplier. Also, if such notification is required for an electronic part to be used in a designated lot of assemblies to be acquired under a single contract, the Contractor may submit one notification for the lot, providing identification of the assemblies containing the parts.

7. Paperwork Reduction Act Guidelines

There are no special circumstances for collection. Collection of this information is consistent with the guidelines at 5 CFR 1320.5(d)(2).

8. Consultation and Public Comments

a. This information collection is consistent with the guidelines in 5 CFR 1320.6. Public comments were solicited in the *Federal Register* on July 15, 2019 ([84 FR 33759](#)). No comments were received in response to this notice.

b. The Defense Contract Management Agency (DCMA) chair of the DFARS Quality Assurance Committee was requested to review the validity of the information collection requirements for the four clauses and to provide updated estimates of the public burdens. The burdens, included in paragraph 12 below, reflect the validation of the need for the collection requirements, judgement, and best estimates of the DoD subject matter expert.

c. A notice of submission to OMB for clearance of this information collection was published in the *Federal Register* on September 25, 2019 ([84 FR 50414](#)).

9. Gifts or Payment

DoD will not provide a payment or gift to respondents to this information collection requirement.

10. Confidentiality

This information is disclosed only to the extent consistent with statutory requirements, current regulations, and prudent business practices. The collection of information does not include any personally identifiable information; therefore, no Privacy Impact Assessment or Privacy Act System of Records Notice is required.

11. Sensitive Questions

No sensitive questions are involved in the information collection.

12. Respondent Burden and its Labor Costs

| ESTIMATED PUBLIC REPORTING BURDEN: | | | | | | | |
|------------------------------------|---------------|-------------------------|---------------------|--------------------|----------------|-----------------|-----------------------------------|
| 0704-0441 | Respondents | Response/ Respondent | Annual Responses | Hours/ Response | Total Hours | Rate | Total Annual Cost to Public |
| 252.246-7003 | 250 | 1 | 250 | 1 | 250 | \$55.19 | \$13,798 |
| 252.246-7005 | 25,105 | 1 | 25,105 | 0.5 | 12,553 | \$55.19 | \$ 1,048,610 |
| 252.246-7006 | 5,021 | 1 | 5,021 | 0.5 | 2,511 | \$55.19 | \$441,520 |
| 252.246-7008 | 4,466 | 5.32 | 23,761 | 1 | 23,761 | \$55.19 | \$1,311,370 |
| TOTAL | 34,842 | ~1.55 | 54,137 | ~0.72 | 15,314 | ~\$39.84 | \$2,156,549 |

| ESTIMATED PUBLIC RECORDKEEPING BURDEN: | | | | | |
|--|---------------|-------------------------------|-----------------------|----------------|--------------------------------|
| 0704-0441 | Recordkeepers | Annual Hours/ Recordkeeper | Total Annual Hours | Rate | Total Annual Cost to Public |
| 252.246-7008 | 67,887 | 30 | 2,036,610 | \$38.05 | \$77,493,011 |
| TOTAL | 67,887 | 30 | 2,036,610 | \$38.05 | \$77,493,011 |

| ESTIMATED TOTAL PUBLIC BURDEN: | | | |
|--------------------------------|-----------------|------------------|--------------------------------|
| 0704-0441 | Annual Response | Total Hours | Total Annual Cost to Public |
| Reporting | 54,137 | 15,314 | \$2,156,549 |
| Recordkeeping | 67,887 | 2,036,610 | \$77,493,011 |
| TOTAL | 122,024 | 2,075,685 | \$79,649,560 |

Note: The hourly rates were developed by using the 2019 Office of Personnel Management GS-12, step 5, rate for the Rest of the U.S. of \$40.51 x 1.3625 O/H rate = \$55.19; and GS 9, step 5 for recordkeepers of \$27.93 x 1.3625 O/H rate = \$38.05.

The estimated burdens shown in the table above include requirements previously incorporated under 0704-0541 for information collected related to electronic parts under DFARS clause 252.246-7008. A discussion of the burdens for each clause is provided as follows:

a. DFARS 252.246-7003, Notification of Potential Safety Issues. While, there is no centralized database that records the reports that are provided to the individual procuring contracting officer and the administrative contracting officer, the DCMA subject matter expert estimates that there are approximately 250 reports submitted each year. One hour is considered to be a reasonable amount of time for contractor personnel to create a report that includes the following five required items:

- (1) A summary of the defect or nonconformance.

- (2) A chronology of pertinent events.
- (3) The identification of potentially affected items to the extent known.
- (4) A point of contact to coordinate problem analysis and resolution.
- (5) Any other relevant information.

b. DFARS 252.246-7005, Notice of Warranty Tracking of Serialized Items. There were 5,021 new contract awards in the Electronic Document Access for fiscal year 2018 that included DFARS 252.246-7005 and/or 252.246-7006. It is estimated that approximately 5 offers were received for each of the 5,021 awards, resulting in 25,105 solicitation responses provided in response to this provision. The response time of 30 minutes for each response totals 12,553 public burden hours for reporting.

c. DFARS 252.246-7006, Warranty Tracking of Serialized Items. As noted above, there were 5,021 new contract awards in the Electronic Document Access for fiscal year 2018 that included the clause. The response time of 30 minutes for each response totals 2,511 total public burden hours for reporting.

d. DFARS 252.246-7008, Sources of Electronic Parts. The information collection, in paragraph (b)(3)(ii) relates to a notification required when using other than a “trusted supplier,” which should be quite rare and is estimated at 10% of prime vendors (4,466) and actions to include subcontractors (22,629 prime contracts x 2 subcontractors for each prime = 67,887 x .10 = 6,789) since it only occurs when an item is out of production, not currently available in stock, and not available from a contractor-approved supplier. As shown, the estimates include notifications that may be provided by a lower tier subcontractor to the prime contractor. Respondents must maintain documentation with regard to traceability or inspection, texting, and authentication, and make the documentation available to the Government upon request.

Additionally, in accordance with paragraph (c)(3)(ii) of the clause when the contractor is not the original manufacturer or authorized supplier for an electronic part, DoD contractors and subcontractors are required have risk based processes in place and make available, upon request, documentation of traceability of the part including inspection, testing and acceptance of an electronic part. For fiscal year 2018, there were 22,629 new contract awards in the Electronic Document Access made to 4,466 unique vendors that contained DFARS 252.246-7008. DoD estimates that an average of approximately 2 subcontracts were awarded for each of the prime contracts resulting in 67,887 prime contracts and subcontracts, of which approximately 25 percent of these actions (16,972) will require documentation of traceability from the original manufacturer be made available for examination. Recordkeepers will be required for the 67,887 prime contracts and subcontracts.

13. Respondent Costs Other Than Burden Hour Costs

DoD does not estimate any annual cost burden apart from the hourly burden in Item 12 above.

14. Cost to the Federal Government

The time required for Government review was verified by the DCMA Chair, DFARS Quality Assurance Committee, and is based on receiving, reviewing, and notifying affected parties of the information submitted by the contractor. Required Government actions are clear cut and require a minimum investment of time to provide notice and obtain points of contact which would consist of telephone interaction or notice by email.

| ESTIMATED GOVERNMENT BURDEN | | | | | |
|-----------------------------|------------------------|--------------------|--------------------|-----------------|----------------------------|
| 252.246 | Total Annual Responses | Hours per Response | Total Annual Hours | \$/hr | Total Annual Cost to Govt. |
| -7003 | 250 | 1 | 250 | \$ 55.19 | \$13,798 |
| -7005 | 25,105 | 0.5 | 12,553 | \$ 55.19 | \$692,772 |
| -7006 | 5,021 | 0.5 | 2,511 | \$ 55.19 | \$138,554 |
| -7008 | 23,760 | 10 | 237,605 | \$ 55.19 | \$13,113,696 |
| TOTAL | 54,136 | 4.67 | 252,924 | \$ 55.19 | \$13,958,876 |

Note: The hourly rates were developed by using the 2019 Office of Personnel Management GS-12, step 5, rate for the Rest of the U.S. of \$40.51 x 1.3625 O/H rate = \$55.19

15. Reasons for Change in Burden

The estimates are revised to accommodate the inclusion of the burden previously accounted for under OMB Control Number 0704-0541 that is being rolled into this OMB Control Number 0704-0441, effective with this 2019 renewal cycle. The greatest degree of change in burden hours for the renewal period is for recordkeepers and recordkeeping required under DFARS clause 252.246-7008. For the initial burden cleared for 0704-0541 in 2016, the basis for the estimates was the Federal Procurement Data system information. The DFARS clause became effective August 2, 2016, and since that time usage data has become available in the Electronic Data System and can be mined to determine the number of new contract awards and unique vendors for a given period that contain the clause. The following table shows the changes in burden for each collection requirement:

| Change in Burden | 2016 Estimates: 0704-0441 & 0704-0541 | | | 2019 Estimate: 0704-0441 | |
|------------------------|---------------------------------------|-----------|---------------|--------------------------|-----------------|
| | 0704-0441 | 0704-0541 | 2016 Combined | 2019 Estimates | Difference |
| Control Numbers | | | | | |
| Number of Respondents | 54,250 | 6,624 | 60,874 | 34,842 | -26,032 |
| Total Annual Responses | 54,250 | 53,040 | 107,290 | 122,023 | 14,733 |
| Total Hours | 27,250 | 43,860 | 71,110 | 39,074 | -32,036 |
| Recordkeepers | 0 | 78,773 | 78,773 | 67,887 | -10,886 |
| Recordkeeping Hours | 0 | 2,363,190 | 2,363,190 | 2,036,610 | -326,580 |
| Total Hours and | | | | | |

| | | | | | |
|--------------------------------|-------------|--------------|--------------|--------------|----------------------|
| Recordkeeping | 0 | 2,407,050 | 2,434,300 | 2,075,684 | -358,616 |
| Total Annual Cost to Public | \$1,471,500 | \$77,639,640 | \$91,277,970 | \$79,649,560 | -\$11,628,410 |

16. Publication of Results

Results of this collection will not be published.

17. Non-Display of OMB Expiration Date

DoD does not seek approval to not display the expiration dates for OMB approval of the information collection.

18. Exceptions to "Certification for Paperwork Reduction Submissions"

There are no exceptions to the certification accompanying this Paperwork Reduction Act submission.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Statistical methods will not be employed.