

Army Regulation 700–139

Logistics

Army Warranty Program

**Headquarters
Department of the Army
Washington, DC
7 October 2005**

UNCLASSIFIED

SUMMARY of CHANGE

AR 700-139

Army Warranty Program

This administrative revision dated 7 October 2005--

- o Revises terminology to reflect two-level maintenance policy.
- o Corrects references in appendix A.

This regulation dated 9 February 2004--

- o Has been revised in accordance with Section 264, Title 41, United States Code and the Federal Acquisition Regulation System.
- o Eliminates the reference to Section 2403, Title 10, United States Code.
- o Realigns responsibilities to the correct staffing entity, command, and activity (chap 2).
- o Clarifies warranty policy and decision criteria for materiel developers (chap 3).

Logistics

Army Warranty Program

By Order of the Secretary of the Army:

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*General, United States Army
Chief of Staff*

Official:



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History. This publication is an administrative revision. The portions affected by this administrative revision are listed in the summary of change.

Summary. This regulation covers the mandatory requirement to evaluate all noncommercial warranties to determine that they are in the best interest of the Government prior to award. This regulation assigns responsibilities, states acquisition policies, defines information

requirements, covers fielding and execution procedures, and prescribes methods of compliance.

Applicability. This regulation applies to the Active Army, the Army National Guard, and the U.S. Army Reserve.

Proponent and exception authority.

The proponent of this regulation is the Deputy Chief of Staff, G-4. The proponent has the authority to approve exceptions or waivers to this regulation that are consistent with controlling law and regulations. The proponent may delegate this approval authority, in writing, to a division chief within the proponent agency or a direct reporting unit or field operating agency of the proponent agency in the grade of colonel or the civilian equivalent. Activities may request a waiver to this regulation by providing justification that includes a full analysis of the expected benefits and must include formal review by the activity's senior legal officer. All waiver requests will be endorsed by the commander or senior leader of the requesting activity and forwarded through their higher headquarters to the policy proponent. Refer to AR 25-30 for specific guidance.

Army management control process.

This regulation contains management control provisions and identifies key management controls that must be evaluated (see checklist appendix B).

Supplementation. Supplementation of this regulation and establishment of command and local forms are prohibited without prior approval from the Deputy Chief of Staff, G-4, ATTN: DALO-ZA, 500 Army Pentagon, Washington, DC 20310-0500.

Suggested improvements. Users are invited to submit comments and suggested improvements on DA Form 2028 (Recommended Changes to Publications and Blank Forms) directly to Deputy Chief of Staff, G-4, ATTN: DALO-SMM, 500 Army Pentagon, Washington, DC 20310-0500.

Distribution. This publication is available in electronic media only and is intended for command levels A, B, C, D, and E for the Active Army, the Army National Guard, and the U.S. Army Reserve.

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Glossary

Chapter 1 Introduction

1–1. Purpose

This regulation prescribes Department of the Army (DA) policies and assigns responsibilities for the management and execution of the Army Warranty Program. This regulation governs warranties that apply to centrally procured items in accordance with the Federal Acquisition Regulation (FAR) and the Defense Federal Acquisition Regulation Supplement (DFARS) and establishes requirements and provides guidance for the management and performance of the Army Warranty Program. The objectives of the Army Warranty Program, as expressed within this regulation, are to—

- a.* Achieve and sustain a cost-effective warranty program for Army materiel.
- b.* Minimize user burden and promote user satisfaction.
- c.* Control warranty execution to assure maximum use and benefit from warranties.
- d.* Provide information for warranty administration, execution, and evaluation.
- e.* Achieve uniformity in managing and executing warranties.

1–2. References

Required and related publications and prescribed and referenced forms are listed in appendix A.

1–3. Explanation of abbreviations and terms

Abbreviations and special terms used in this regulation are explained in the glossary.

1–4. Responsibilities

Responsibilities are listed in chapter 2.

1–5. Exemptions

The following programs are exempt from coverage in this regulation:

- a.* Reliability improvement warranties as defined in Army Regulation (AR) 70–1 are more properly considered reliability improvement incentives.
- b.* Manufacturing dimension and tolerance warranties when used for ammunition programs. These warranties are, in effect, a delayed final inspection acceptance and are not executed outside of the manufacturing and load assembly environment.
- c.* Vehicle Safety Recall Campaign directives in compliance with Section 1402, Title 15, United States Code (15 USC 1402), implemented by AR 750–10.
- d.* Depot maintenance repair warranty/guarantee programs.

Chapter 2 Responsibilities

The AR 10-series describes functions of the Army Staff and major Army commands (MACOMs). The AR 70-series and AR 700-series describe specific responsibilities in Army research and development, production engineering, product assurance, integrated logistics support, maintenance, and supply. Additional responsibilities for carrying out the Army Warranty Program are specified below.

2–1. Deputy Chief of Staff, G–4

The Deputy Chief of Staff, G–4 (DCS, G–4) has Army Staff responsibility for the management of the Army Warranty Program. The DCS, G–4, in the Army Staff role, will—

- a.* Issue policy guidance for the management of warranty compliance in accordance with the statutory requirements of 41 USC 264 and regulatory requirements of FAR Part 46.7 and DFARS Subpart 246.7.
- b.* Issue policy guidance pertaining to warranty management as part of integrated logistics support policy for the Army in AR 700–127 and AR 700–142 where the Army is the lead Service for Joint Service programs.
- c.* Issue policy guidance to institute data collection and reporting used to identify warranties, determine compliance, and facilitate warranty effectiveness evaluation.
- d.* Issue policy guidance to sustain compatibility between acquired warranties, the standard Army supply and maintenance logistic support systems, and standard Army execution procedures.
- e.* Appoint a responsible agent to carry out the DCS, G–4 responsibilities for the Army Warranty Program.

2–2. Assistant Secretary of the Army (Acquisition, Logistics, and Technology)

The Assistant Secretary of the Army (Acquisition, Logistics, and Technology) (ASA(ALT)) will—

a. Issue policy guidance to assure appropriate warranty planning in materiel acquisition and management plans. (See FAR Parts 46.7 and 7.105 as well as DFARS Subpart 246.7.)

b. Issue policy guidance to assure that program acquisition strategy in accordance with AR 70-1 provides a cost-benefit analysis to the procuring contracting officer (PCO) for all warranty considerations within the acquisition plan and identifies funding for the acquisition, execution, and effectiveness evaluation of warranties.

2-3. Other Army Staff agency heads

Deputy Chief of Staff, G-1 (DCS, G-1), Deputy Chief of Staff, G-2 (DCS, G-2), Deputy Chief of Staff, G-3 (DCS, G-3), Deputy Chief of Staff, G-8 (DCS, G-8), Chief of Engineers (COE), and The Surgeon General (TSG) will implement the Army Warranty Program in their respective areas.

2-4. Responsible agent

The Commanding General, U.S. Army Materiel Command (CG, AMC) will manage the Army Warranty Program for DCS, G-4. The responsible agent will—

a. Institute policy, determine compliance, and operate data collection and reporting methods in consonance with Headquarters, Department of the Army (HQDA) objectives.

b. Sustain compatibility of warranty execution methods with the standard Army supply and maintenance logistic support systems. (See para 3-12.)

c. Establish and maintain a centralized, Web-based database for all centrally procured item warranties.

d. Direct and control the centralized collection of warranty information.

e. Report annually to the DCS, G-4 on the Army Warranty Program and the effectiveness of the responsible agency.

f. Provide 24-hour/7-day electronic mailbox access to the central warranty information database.

g. Establish telephone and Web link access (24-hour hotline/Web link) for input of problems or specific warranty questions from MACOMs to AMC warranty control offices.

2-5. Materiel developers

Army materiel developers, including program executive officers; program, project and product managers assigned logistics support/materiel acquisition missions; and the U.S. Army materiel developers listed in AR 70-1, chapter 2, will—

a. Determine the applicability of FAR/DFARS regulatory requirements for warranties.

b. Identify the cost of the warranty.

c. Determine if the warranty is cost-effective and apply the criteria of DFARS Subpart 246.7 and FAR Part 46.7, as applicable. (See chap 3.)

d. Provide a cost-benefit analysis to the contracting office for all warranty requests.

e. Provide the MACOM warranty control officer (WARCO) with warranty documentation, to include warranty claim action (WCA) processing procedures.

f. Provide all required warranty information into the AMC-designated database prior to materiel fielding.

g. Identify the warranty support plan as outlined in the materiel fielding plan (MFP) and Web site to the MACOM and unit prior to fielding. (See AR 700-142.) Special emphasis should be placed on the procedures and process for claims.

h. Manage, monitor, and evaluate the effectiveness of procured warranties.

i. Perform annual, in-process, and post-warranty assessments to determine the effectiveness and final payoff analysis for each warranty.

j. Provide an annual report to the AMC and ODCS, G-4 on the effective and payoff analyses of acquired warranties. (See para 3-3.)

k. In coordination with the U.S. Army Training and Doctrine Command (TRADOC), develop methods of executing warranties within the Integrated Logistic Support Plan (ILSP) and Supportability Strategy.

l. Define duties and responsibilities of the MACOMs for warranty execution in the MFP.

m. Sustain compatibility with the standard warranty execution procedures when MACOMs perform the execution. (See chap 5.)

n. Coordinate with the MACOM (or storage activity, when applicable) for nonstandard execution procedures. (See para 5-2*b.*)

o. Provide warranty execution training as an integral part of materiel fielding/new equipment training with emphasis on geographic differences and unique organizational structures.

p. Assure warranty information, procedures, and other pertinent data are included in applicable technical bulletins/manuals and field technical documents.

q. Report the final disposition of warranty claim with financial data into the Army Electronic Product Support (AEPS) database.

2-6. MACOM commanders

MACOM commanders will—

- a. Assure that a WCA is filed through the AEPS Web site (<http://aeps.ria.army.mil>) warranty action claims (WAC) section for each failure of an item covered by a warranty.
- b. Establish nonstandard execution procedures (para 5-2b) in coordination with the acquisition organization when nonstandard procedures are approved by the MACOM for their maintenance augmentation capability.
- c. Provide suggestions or advice on the scope and methods of warranty execution as requested by the acquisition organization.
- d. Notify the acquisition organization when published execution procedures prove unsatisfactory or result in extensive administrative burden.
- e. Include warranty functions within annual MACOM budget submissions to provide for the administration of the warranty program.
- f. Establish a WARCO at the MACOM level. MACOM WARCOs will—
 - (1) Review and coordinate the acquisition organization warranty execution procedures within MFPs, warranty technical bulletins (WTBs), and related warranty data to assure effective execution of warranties.
 - (2) Develop local written instructions for warranty execution and management within the MACOM.
 - (3) Establish a coordinating subordinate WARCO function at MACOM-determined levels (such as corps, division, materiel management center, and area maintenance support activity) when appropriate.
 - (4) Direct the subordinate servicing WARCO function at the Directorate of Logistics (DOL) for installation management organizations; at Sustainment maintenance for military organizations; at the State Maintenance Office within the Army National Guard (ARNG); and at Army Reserve Commands for the U.S. Army Reserve (USAR). Servicing WARCOs will—
 - (a) Execute warranties according to published procedures.
 - (b) Coordinate all warranty actions between their activities and commercial service sources (local dealer or manufacturer) and/or the acquisition organization as specified in WTBs. Such coordination does not include resolution of contractual issues.

2-7. Representatives of the Logistics Assistance Program

The logistics assistance office (LAO) or logistics assistance representatives (LARs) will provide advice and assistance to MACOM WARCOs as part of their service interface as established in AR 700-4. Representatives of the Logistic Assistance Program (LAP) will—

- a. Assist in establishing an AEPS account to submit WACs.
- b. Clarify warranty applications/exclusions and warranty claim/report procedures upon WARCO or user request.
- c. Assist WARCOs in developing local procedures for warranty administration.
- d. Provide warranty information to users/WARCOs as a secondary source of information.
- e. Provide specific assistance as outlined in MFPs, technical and supply bulletins/manuals, and related documents for warranty management.

Chapter 3

Warranty Acquisition Policy and Procedures

3-1. Policy

The Army will acquire warranties using Federal statutes and regulatory guidelines when a warranty is cost-effective and when such comprehensive coverage can be tailored to meet the intended conditions of use in geographic locations and storage of the item. Army materiel developers must consider the cost-effectiveness and tailoring comprehensive coverage aspects of a warranty prior to contract award. Army Materiel developers will minimize the burden to the operator-, unit- or field maintenance organization by reducing the number of unique tasks to realize the benefits of the warranty.

3-2. Concepts

Tailoring the warranty concept to fit the item and its intended use in a comprehensive manner with minimal impact on standard Army logistical procedures is the single most important aspect of the warranty acquisition process. Warranty tailoring is intended to protect the Army from the costs and frequency of systemic failures, to enact responsive remedies for failures of significant operational impact, to minimize or eliminate warranty execution tasks at the MACOM, and to become one of the methods used to require the contractor to fulfill the obligation of providing quality Army items. Four basic warranty concepts are used:

- a. *Failure-free warranty.* This is sometimes known as a zero-defects warranty. The contractor is required to deliver a product that conforms to contractual requirements after acceptance. The prime advantages are simplicity, early

identification of defects, and easy administration. The primary disadvantage is the higher cost due to the contractor's assumption of more risk. This is often used as an incentive warranty.

b. Expected-failure or threshold warranty. This warranty is triggered only after a certain number of failures is reached. This is a form of assurance warranty. There is a reduced risk to the contractor. This warranty recognizes that malfunctions will occur despite the best design and manufacturing processes. The principle disadvantage to the government is the intensive data collection, recording, and accounting that must be conducted.

c. Systemic warranty. A systemic defect is one that occurs with a frequency, sameness, or pattern to indicate a logical regularity that exceeds predicted failure rates. The government assumes that all systems produced under like circumstances are defective. The principal advantages to the government are reduced costs and the avoidance of complicated reporting, tracking, and accounting requirements. The warranty is more apt to treat a cause than a symptom. There is normally a high procurement cost associated with this type of warranty.

d. Defect-free warranty. This warranty directly relates to contractual nonconformance rather than hardware failures. It recognizes that not all defects result in failures and not all failures result from defects. It has little impact on the user, is easy to administer, and is normally cost effective.

3-3. Warranty cost-effectiveness

All Army acquisition organizations that consider the use of a noncommercial warranty will institute procedures to determine the cost-effectiveness of warranties (AR 11-18).

a. Prior to negotiating a warranty, a cost-effectiveness (C-E) analysis is required to determine the value of the potential benefits received in comparison with the contract cost of the warranty plus the Army's cost of administration and execution.

b. A management control evaluation checklist for C-E determination is required for each contract warranty, excluding commercial and trade practice warranties.

3-4. Warranty assessments

Assessments will be performed by the organization requesting the acquisition of warranties on an in-process and final payoff basis.

a. In-process warranty assessments will be initiated concurrently with receipt and operation of the first item delivered under the contract.

b. The assessments will as a minimum contain:

(1) Identification of the contract and contractor responsible for providing the warranty.

(2) A summary of claim activity during the period measured.

(a) Number of claims submitted and value of claims submitted.

(b) Number of claims honored and value of claims honored.

(c) Number of claims disputed and value of claims disputed.

1. Reason for dispute.

2. Failure cause (if applicable).

(d) Number of claims denied and value of claims denied.

1. Reason for denial (for example, false-pull (not deficient), abuse, not covered by warranty).

2. Failure cause (if applicable).

(3) Cumulative claim activity for the contract.

(a) Number of claims submitted and value of claims submitted.

(b) Number of claims honored and value of claims honored.

(c) Number of claims disputed and value of claims disputed.

1. Reason for dispute.

2. Failure cause (if applicable).

(d) Number of claims denied and value of claims denied.

1. Reason for denial (for example, false-pull (not deficient), abuse, not covered by warranty).

2. Failure cause (if applicable).

(4) Identification of the proportional amount of warranty cost to value of services/remedies received.

(5) Remarks, to include tasks or services that are considered desirable or undesirable based on claim frequency, failure mode, and value.

c. The final payoff assessment will evaluate the economic benefits derived from the warranty compared to the cost of corrective actions if there had been no warranty. Cost avoidance as well as Government cost to administer the warranty must be considered. Nonmonetary benefits will be summarized, and the in-process assessments will be consolidated and summarized.

d. The warranty assessments will be used to determine warranty provisions and tasks for follow-on procurements for the item (and similar items) and the overall effectiveness of the item warranty.

e. A management control evaluation checklist for final payoff assessment determination is required for each contract warranty.

3-5. Army repair and reimbursement

Warranties will consider a remedy that authorizes warranty repairs by the Army (or by Army contract) for which the contractor will make reimbursement.

a. Contract recovery of expenses for materiel (parts), labor, and transportation incurred by the Army for repair or replacement of warranty items will be accomplished by contract refunds or other remedies.

b. Transportation charges and responsibilities for supplies while in transit will normally be borne by the contractor. However, under certain circumstances it may be advantageous for transportation to be at government expense, such as when the cost of the warranty would be prohibitive. Refer to guidance in FAR Part 46.7 on transportation charges.

(1) Contract recovery of MACOM labor expenses (when part of the warranty coverage) will include labor expended for removal and replacement of items as well as the labor expended in the actual item repair. Labor rates used for contract computation will represent average Army maintenance labor costs for organic labor or the contractor's burdened flat rate for manual labor. Maintenance allocation chart (MAC) labor hour standards will be used for computation. Summation of discrete labor hour tasks may be necessary to encompass the total repair effort.

(2) Recovery of depot labor expenses will be limited to the labor expended in the item repair using the MAC or contractor labor hour standards. Labor rates used for contract computation will represent average Army depot labor rates for the depot normally associated with the materiel under warranty.

(3) Contract-recovered expenses will be refunded to a central DA Operations and Maintenance, Army (OMA) account.

3-6. Copayment for pro rata usage

a. A copayment for pro rata usage is a payment of monies by the item owner, based on the percentage of usage, to the item supplier (or representative) when a portion of warranty usage has occurred. Commercial tire and battery warranties are examples of pro rata copayment warranties.

b. Copayments to contractors or dealers for pro rata usage under an Army contract warranty will not be required from MACOMs unless—

(1) The warranty items are covered by nonstandard warranty execution procedures negotiated as part of an MFP.

(2) The warranty items are commercial or trade practice items that are acceptable to the MACOMs.

3-7. Warranty criteria

When deciding whether it is appropriate to use a warranty for a specific acquisition, the contracting officer will consider the criteria in FAR Part 46.7.

3-8. Warranty coverage

Army warranties for centrally procured materiel should consider two types of coverage: individual item failure and systemic defect. Replacement assemblies may require both types of coverage. Commercial or trade practice warranties may be structured for both types of coverage. Pass-through warranties will be restricted in their usage.

a. Individual item failure coverage requiring individual warranty claim actions apply to MAC functions of maintenance or repair parts and special tool list (RPSTL) coded recovery functions that occur no lower than the field maintenance level for items and their subsidiary parts.

b. Systemic defect coverage provides protection to the lowest level of impact or expense and requires a contract remedy that may cover all contract deliverables.

c. The time frame for coverage begins with the first contract item delivered and ends following the warranty expiration date of the last item delivered and includes all failures during that time frame only.

(1) System subordinate item contracts for replacement assemblies or for assemblies integrated into systems as Government-furnished equipment (GFE) may require both systemic defect coverage and individual item failure coverage. This is required for replacement items that received similar coverage under a system-level warranty.

(2) Pass-through warranties, which require the Army to seek remedies through vendors not directly under contract, will not be used. Examples of commercial or trade practice materiel that have traditional subordinate pass-through warranties include tires and batteries.

3-9. Warranty duration

Warranty duration will be of sufficient time to determine that the terms and conditions of the warranty have been met.

a. Warranty duration will be of sufficient time to allow for delays occurring between acceptance and actual use, plus a period for user operation for the item.

b. The duration period will start on the date of government acceptance. Where warranted items are being integrated into a complete weapon system, the warranty duration may start on that integration date.

c. Warranty duration is composed of two factors: elapsed time prior to operation/fielding and operational use.

(1) Elapsed time prior to operational/fielding is the average period of time from contract delivery (as evidenced by contract documented acceptance) until the item is placed into operation. Included are transportation and storage delays, fielding in overseas geographic location delays, and delays planned when Government-furnished materiel is integrated into a higher weapon system.

(2) Operational use factor is the period of time in actual operation. This factor is the critical element in the total warranty duration and should be of sufficient length to allow the determination of compliance to warranty provisions during actual use. An initial planning figure of between 10 percent and 25 percent of the expected life and generally not less than 1 calendar year or 1 year of an equivalent usage rate in whatever units are best measured (for example, months, years, hours, miles, rounds) can be used. The actual operational use factor will vary depending on the item being procured, past history, and overall tailoring of the warranty provisions.

d. Warranty durations can be assigned on an individual item basis, by lot basis, or by total contract production quantity.

e. The warranty duration should be reviewed for unexpected delays due to nonavailability of Government-furnished materiel or GFE, system integration problems, delays in fielding, or direction of assets as delays occur.

3-10. Army reimbursement

a. The primary means for contract recovery of expenses for materiel (parts), labor, and transportation incurred by the Army for repair or replacement of warranty items, as a result of a valid warranty claim, will be contract refunds. Procedures for reimbursement will be specifically stipulated in the warranty clause written into the contract.

b. Transportation expense recovery is necessary only when a warranty item's destination transportation cost exceeds the Army's normal repair facility destination cost for the item.

c. Contract recovery of MACOM labor expenses (when part of the warranty coverage) will include as a minimum labor expended and parts used in the repair or correction of the defect. Labor rates used for contract computation will represent average Army maintenance labor costs for organic labor or the contractor's burdened flat rate for manual labor. The MAC labor hour standards will be used for computation and summary of the discrete labor effort.

d. Recovery of depot labor expenses will be limited to the labor expended in the item repair using the MAC or contractor labor hour standards. Labor rates used for contract computation will represent average Army depot labor rates for the depot where the item is repaired.

e. Contract recovered expenses will be refunded to a central DA OMA account.

f. Disbursements from the central DA account will be accomplished when the account exceeds \$500,000 and will be consolidated with other OMA accounts and redistributed as necessary.

g. Disbursements will be based on MACOM/National Guard Bureau (NGB) program participation.

(1) AMC will be entitled to refunds for claims resulting from activities funded by AMC, to include depot repair and materiel fielding team repair of warranted equipment, when the expense of repair was borne by AMC.

(2) The MACOM/NGB will be entitled to refunds for failure-free warranty claims when the expense of repair was borne by the MACOM/NGB.

(3) The MACOM/NGB will be entitled to refunds for expected failure warranty claims when the contract threshold level has been exceeded and funds are recovered into the account. The basis of sharing between MACOM/NGB will be determined by the MACOM/NGB proportion of valid expected failure claims submitted. Valid claims include claims both above and below the threshold in aggregate for all MACOM/NGB activity during the period between disbursements.

(4) Claim values will reflect actual amounts recovered instead of claim submittal amount. (Same as para 3-6.)

3-11. Warranty compatibility with standard Army systems

Acquired warranties will be compatible with standard Army systems (supply, maintenance, transportation, and associated Standard Army Management Information Systems (STAMIS)). The item's support for the period under warranty will not differ from the follow-on support upon warranty expiration.

a. Storage and exercise of items under warranty will not differ during the warranty from storage and exercise postwarranty requirements of the item.

b. Part support will operate within the Army's supply system for replacement parts. Urgent part support using direct shipment to Army maintenance facilities may be used for warranty items in the same manner that expedited shipment of nonwarranty items are used to fill urgent requisitions.

c. Warranty exhibits will be returned or disposed of using the Army's disposal and retrograde return system. Specific items with return requirements or exhibit hold periods will be identified in the item's WTB and MFP.

d. WARCOs will provide information to the acquisition organization and the warranty contractor in accordance with DA Pam 750-8 (nonaviation) and DA Pam 738-751 (aviation). Contract unique forms or information requirements will not be required when the MACOM is expected to perform the standard Army execution procedures. (See para 6-2.)

e. Maintenance functions or work time figures of an item's MAC will not be changed to accommodate the warranty. The alignment of warranty coverage to maintenance levels and functions will sustain normal support operations during the warranty period with the support that will follow warranty expiration. During the course of normal support

operations, it may become necessary to move, subdivide, or combine MAC functions to accommodate the Army's support needs. The acquisition organization will attempt to realign the warranty with the MAC changes if cost-effectiveness and execution can be sustained. If contract changes cannot be accomplished, some functions may be unilaterally excluded from execution for not complying with the changed MAC.

f. To sustain readiness, warranty remedies should not be any less responsive than normal Army maintenance methods. Contract warranty provisions will be defined for responsiveness in terms of time (hours, days, weeks) between notification and resolution of a warranty claim.

3-12. Warranty technical bulletins

Warranty provisions for execution of a warranty item will be published in the MFP in time for unit set fielding. A WTB may, by necessity, be a contract deliverable item in order to be available for MFP coordination. When WTBs are contract prepared, they will be procured by a contract line item number (CLIN) and exhibit.

Chapter 4 Warranty Information

4-1. General

a. Warranty information will be collected and shared by acquisition organizations and MACOM organizations to document and improve warranties and their benefits using the AMC-designated database.

b. Acquisition organizations will collect and provide to the AMC-designated database information on each warranty for centrally procured items. This information will include—

- (1) National stock number (NSN), nomenclature, and model numbers.
- (2) Contract number, contractor name, and Federal Supply Code of Manufacturers (FSCM).
- (3) Warranty publication MFP.
- (4) Serial, lot, or registration number range (when applicable).
- (5) Warranty duration (time in months) as applicable.
- (6) Warranty usage limits (hrs/miles/km) as applicable.
- (7) Start date of first item warranty period.
- (8) End date of last item warranty expiration.
- (9) Contract cost of warranty (sum and per unit) and contract item cost.
- (10) Subordinate (pass-through) warranties, if applicable.
- (11) Special warranty provisions or conditions.

c. Acquisition organizations will collect, collate, and automate WCAs submitted from all sources and provide information access to the AMC-designated database and annual reports to MACOMs.

(1) Data or information to be gathered from MACOMs or activities will be limited to WCA data listed in DA Pam 750-8 and DA Pam 738-751.

(2) Data or information gathered as part of nonstandard execution procedures will, as a minimum, provide the same data elements gathered by The Army Maintenance Management System/The Army Maintenance Management System-Aviation (TAMMS/TAMMS-A) WCAs. Special data collection programs such as sampling data by AR 750-1 and interim contractor logistics support program (ICLS) data are examples of special information sources.

(3) Data item description (DI-MNTY-81217) warranty performance reports provide an alternate or corroborate means of acquiring and verifying claim data.

(4) Data or information gathered within systems integration programs or depot operations as warranty claims will, as a minimum, provide the same data elements gathered by TAMMS/TAMMS-A WCAs.

4-2. AMC-designated database

The responsible agent will designate a database to serve as a central source of automated warranty information. The AMC-designated database serves to—

a. Collect information by the acquisition organization and operate and maintain a centralized Web-based database accessible by all Army units and activities.

b. Publish listings/reports, as directed by the responsible agent for warranty information users (acquisition organizations, WARCOs, and LAOs), to include—

- (1) The AMC and MACOM WARCO addresses and an index of items under warranty.
- (2) Warranty Highlighter (information letter), periodically.
- (3) Annual summary reports of MACOM and WARCO activity for annual compliance analysis.

c. Provide access to the database in the form of an electronic mailbox for queries of individual warranty coverage specifics; replies should be sent within 24 hours from receipt of request.

Chapter 5

Warranty Fielding and Execution

5-1. Fielding of warranty items

a. Warranty items will be fielded in accordance with appropriate materiel release, fielding, or transfer documents noting specific warranty requirements in the MFP.

b. Survey of local service sources:

(1) Concurrent with MFP negotiation, the materiel fielder will conduct a survey of capacity and capability of local service sources where use of these sources is planned.

(2) Concurrent with fielding, the MACOM WARCO will resurvey the service sources to confirm servicing capability and capacity.

c. WTB information will be provided as required with the MFP and with each item when required.

d. The materiel fielding team (MFT) will provide WTB copies to the MACOM and coordinating/servicing WARCOs, to the MACOM LAO, and to the local LAO/LAR as applicable.

e. WTB details of coverage and execution will be explained by the MFT to WARCOs, LAOs, and LARs.

f. MACOMs will budget and program funding to accomplish maintenance, supply, and retrograde recovery tasks associated with warranty execution.

5-2. Warranty execution

a. *Standard Army execution procedures.* Standard Army execution procedures (SAEPs) fulfill the requirements of minimum burden, compatibility with the standard Army system, and uniformity/simplicity of administration. This is to ensure support of the item during the warranty in the same manner as that which occurs in postwarranty ownership.

(1) Instructions and forms for completing WCAs are contained in TAMMS/TAMMS-A procedures. Contract-unique forms or procedures are not used for WCAs.

(2) Individual WCAs do not occur below the field maintenance level.

(3) Supply support and retrograde recovery flow through standard Army systems.

(4) Storage and exercise requirements for warranty items will not differ from the Army's postwarranty requirements.

b. *Nonstandard execution procedures.* Nonstandard execution procedures are not used when execution is to be performed by MACOMs except when—

(1) The MACOM agrees to perform nonstandard execution for maintenance augmentation as part of the MFP.

(2) The methods of collection in AR 750-1 are used and no unique burden is applied to the MACOM.

(3) Interim contractor support agreements provide for the WCAs and execution.

(4) Warranties do not extend beyond the wholesale level and are executed by the acquisition organization or depot system.

c. *Warranty exhibits.* Warranty exhibits (as specified in the WTB) use the standard retrograde return system when execution is performed by MACOMs.

(1) Preservation and safeguarding of warranty exhibits are priority tasks of the MACOM to protect the contract remedies of the Army.

(2) Evacuation of warranty exhibits conform to the MFP and database instructions. Storage of exhibits is provided by the MACOM pending disposition instructions from the acquisition organization.

(3) Disposition instructions are furnished by the acquisition organization to the MACOM within 30 calendar days of the acquisition organization notification of WCA receipt.

Chapter 6

Compliance

6-1. Acquisition organization

Acquisition organization compliance will be accomplished by—

a. Inspector general review of compliance.

b. Responsible agent review of the annual in-process and post-warranty assessments, command visits (such as the command logistics review team (CLRT) reports), and compliance visits.

c. Internal control provisions of warranty checklists.

6-2. MACOMs

MACOM compliance will be accomplished by—

- a.* Inspector General review of compliance to this regulation and MACOM supplementation when applicable.
- b.* Responsible agent review of claim summaries, command visits (such as the CLRT reports), and compliance visits.

6-3. Logistic assistance offices

LAO/LAR compliance will be accomplished by responsible agent (command LAO) annual review of data repository and procedures review for each LAO support office.

6-4. Executive agent

Responsible agent compliance will be accomplished by the DCS, G-4 using the annual reports of the executive agency.

Appendix A References

Section I Required Publications

DA Pam 738–751

Functional Users Manual for The Army Maintenance Management System–Aviation (TAMMS–A). (Cited in paras 3–11*d* and 4–1*c*(1).)

DA Pam 750–8

The Army Maintenance Management System (TAMMS) Users Manual. (Cited in paras 3–11*d* and 4–1*c*(1).)

DFARS Subpart 246.7

Defense Federal Acquisition Regulation Supplement, Warranties. (Cited in paras 2–2*a*, 2–3*a*, and 2–6*b*.) (Available at <http://deskbook.dau.mil>.)

FAR Part 46.7

Federal Acquisition Regulation, Warranties. (Cited in paras 2–2*a*, 2–3*a*, 2–6*b*, 3–5*b*, and 3–7.) (Available at <http://www.arnet.gov/far/>.)

Section II Related Publications

A related publication is a source of additional information. The user does not have to read a related reference to understand this regulation.

AR 11–2

Management Control

AR 11–18

The Cost and Economic Analysis Program

AR 70–1

Army Acquisition Policy

AR 700–4

Logistics Assistance

AR 700–82/OPNAVINST 4410.2A/MCO4400.120

Joint Regulation Governing the Use and Application of Uniform Source Maintenance and Recoverability Codes

AR 700–127

Integrated Logistics Support

AR 700–142

Materiel Release, Fielding, and Transfer

AR 750–1

Army Materiel Maintenance Policy

AR 750–10

Army Modification Program

DFARS Subpart 246.708

Defense Federal Acquisition Regulation, Warranties of data. (Available at <http://www.acq.osd.mil/dpap/dars/dfars/index.htm>.)

DFARS Subpart 252.227–7013

Defense Federal Acquisition Regulation, Rights in Technical Data—Noncommercial Items. (Available at <http://www.acq.osd.mil/dpap/dars/dfars/index.htm>.)

EM 0007 FEDLOG

Army Adopted/Other Items selected for authorization/list of reportable items. (Available at <http://www.dlis.dla.mil/fedlog/subscription>.)

FED-STD-595B(1)

Colors Used in Government Procurement. (Available at <http://dodssp.daps.mil/assist.htm>.)

MIL-HDBK-881A

Work Breakdown Structures for Defense Materiel. (Available at <http://assist.daps.dla.mil/quicksearch>.)

MIL-PRF-63034B(1)

Bulletins, Technical: Warranty, Preparation of (Available at <http://assist.daps.dla.mil/quicksearch>.)

MIL-STD-129P(3)

Military Marking for Shipment and Storage. (Available at <http://assist.daps.dla.mil/quicksearch>.)

MIL-STD-130L(1)

Identification Marking of U.S. Military Property. (Available at <http://assist.daps.dla.mil/quicksearch>.)

Section III

Prescribed Forms

This section contains no entries.

Section IV

Referenced Forms

This section contains no entries.

Appendix B

Management Control Evaluation Checklist

B-1. Function

The function covered by this checklist is the Army Warranty Program.

B-2. Purpose

This appendix addresses the warranty cost-effectiveness (C-E) determination and warranty claim execution process.

B-3. Instructions

The managers are responsible for using this checklist (at an acquisition organization, materiel developer, or other command) and will be designated by the cognizant headquarters staff functional principal. The responsible principal and mandatory schedule for using the checklist will be shown in the annually updated management control plan, as follows:

- a. Reviewed organization.
- b. Action officer.
- c. Reviewer.
- d. Date completed.

B-4. Test questions

- a. *Event #1: warranty cost effectiveness determination and documentation.*

(1) Have local procedures been established assigning responsibilities to ensure C-E analyses are conducted in consonance with approved policies and procedures?

(a) *Risk.* C-E analyses will not be conducted with approved policies and procedures, possibly resulting in the procurement of non-cost effective warranties.

(b) *Control objective.* Assure that local procedures ensure policies and procedures are established for the conduct of C-E analyses and that there is compliance with those policies and procedures.

(c) *Control technique.* Establish local written policies assigning responsibility for performance of C-E analyses in accordance with approved policies and procedures contained in AR 700-139, paragraph 3-3.

- (2) Step #1:

(a) Are contract files documented with C-E analysis and the rationale for warranty decisions?

1. *Risk.* Contract warranties will be procured without appropriate documentation of the contract files.
2. *Control objective.* Assure that each contract file is documented with a C–E analysis and the rationale for a warranty decision.
3. *Control technique.* Establish local written procedures for inclusion of a C–E analysis and the rationale for a warranty decision within contract files.
 - (b) Have local procedures and responsibilities for conducting C–E analyses been written and disseminated and complied with?
 1. Response (yes / no / NA).
 2. Remarks.
 - (c) Have C–E analyses been performed as required by AR 700–139, paragraph 3–3 and local procedures?
 1. Response (yes / no / NA).
 2. Remarks.
 - (3) Step #2:
 - (a) Have local procedures and responsibilities been developed for including the results of the C–E analysis and the rationale for a warranty decision in the contract file?
 1. Response (yes / no / NA).
 2. Remarks.
 - (b) Have procedures for including the C–E analysis and the warranty decision in contract files for systems or materiel been followed?
 1. Response (yes / no / NA).
 2. Remarks.
 - (4) Step #3: Assure that a final payoff assessment of each warranty is conducted at warranty expiration.
 - (a) *Risk.* Warranties will expire without an assessment of the final warranty benefits and lessons learned.
 - (b) *Control objective.* Assure that each contract containing warranty provisions has a final payoff assessment conducted.
 - (c) *Control technique.* Establish written procedures for performance of a warranty final payoff assessment and identification of lessons learned for each contract warranty in accordance with AR 700–139, paragraph 3–4.
 - (d) *Test questions.*
 1. Have local procedures been established to perform final payoff assessments and identification of lessons learned?
 - Response (yes / no / NA).
 - Remarks.
 2. Have the warranty final payoff assessments and identification of lessons learned been conducted in accordance with local procedures?
 - Response (yes / no / NA).
 - Remarks.
 - (b) *Event #2: warranty claim execution and management.* Establish procedures for the processing of warranty claims to include procedures for settling open warranty claims, evaluating reasons for rejected claims and maintenance of appropriate records.
 - (1) *Risk.* Failure to properly process warranty claims could lead to failure to implement appropriate remedies and receive full benefits.
 - (2) *Control objective.* Assure that warranty claims are properly processed to include settling of open warranty claims, determining reasons for rejected claims, and maintaining records to support data collection.
 - (3) *Control technique.* Establish local written policies and procedures for the processing of warranty claims, settling open claims, determining reasons for rejected claims, and maintaining of data.
 - (4) *Test questions.*
 - (a) Have local procedures been established for the processing of warranty claims to include settling open claims and determining reasons for rejected claims?
 1. Response (yes / no / NA).
 2. Remarks.
 - (b) Have local procedures been established for the collection and maintenance of data to support the requirements of AR 700–139, paragraph 4–1?
 1. Response (yes / no / NA).
 2. Remarks.
 - (c) Have local procedures been established for the collection of contractor reimbursements for warranty claims in accordance with AR 700–139, paragraph 3–5?
 1. Response (yes / no / NA).
 2. Remarks.
 3. Remarks (instructions): Explain rationale for *yes* responses or provide cross-references where rationale can be

found. For *no* responses, cross-reference to where corrective action plans can be found. If response is *NA*, explain rationale. Use a continuation page for remarks if necessary.

(5) *Signatures*. Conclude the checklist with the following paragraphs and signatures:

I attest that the above-listed internal controls provide reasonable assurance that Army resources are adequately safeguarded. I am satisfied that if the above controls are fully operational, the internal controls are adequate.

(Functional proponent signature.)

I have reviewed this task within my organization and have supplemented the prescribed internal control review checklist when warranted by unique environmental circumstances. The controls prescribed in this checklist, as amended, are in place and operational for my organization (except for the weaknesses described in the attached plan, which includes schedules for correcting the weaknesses).

(Operating manager signature.)

c. Deadline. This checklist must be used within 120 days of initial publication and annually thereafter. See AR 11-2 for specific requirements of the management control program.

B-5. Supersession

This checklist replaces the checklist previously published in AR 700-139 dated 10 March 1986.

B-6. Comments

Help make this a better tool for evaluating management controls. Submit comments to DCS, G-4, ATTN: DALO-SMM, 500 Army Pentagon, Washington, DC 20310-0500.

Glossary

Section I Abbreviations

AEPS

Army Electronic Product Support

AMC

U.S. Army Materiel Command

ASA(ALT)

Assistant Secretary of the Army (Acquisition, Logistics, and Technology)

ARNG

Army National Guard

C-E

cost-effectiveness

CG

commanding general

CLIN

contract line item number

CLRT

command logistics review team

COE

Chief of Engineers

DA

Department of the Army

DCS, G-1

Deputy Chief of Staff, G-1

DCS, G-2

Deputy Chief of Staff, G-2

DCS, G-3

Deputy Chief of Staff, G-3

DCS, G-8

Deputy Chief of Staff, G-8

DFARS

Defense Federal Acquisition Regulation Supplement

DOL

Directorate of Logistics

FAR

Federal Acquisition Regulation

FMS

foreign military sales

FSCM

Federal Supply Code of Manufacturers

GFE

Government-furnished equipment

HQDA

Headquarters, Department of the Army

ICLS

interim contractor logistics support program

ILSP

Integrated Logistics Support Plan

LAO

Logistics Assistance Office

LAR

logistics assistance representative

MAC

maintenance allocation chart

MACOM

major Army command

MFP

materiel fielding plan

MFT

materiel fielding team

NGB

National Guard Bureau

NSN

national stock number

OMA

Operations and Maintenance, Army

PCO

procuring contracting officer

RPSTL

repair parts and special tool list

SAEP

standard Army execution procedure

STAMIS

Standard Army Management Information Systems

TAMMS

The Army Maintenance Management System

TAMMS-A

The Army Maintenance Management System-Aviation

TRADOC

U.S. Army Training and Doctrine Command

TSG

The Surgeon General

USAR

U.S. Army Reserve

WAC

Warranty Action Claims

WARCO

warranty control officer

WCA

warranty claim action

WTB

warranty technical bulletin

Section II**Terms****Acquisition organization**

Refers to the materiel developer, MACOM or other organization that has the authority to purchase materiel and warranty support.

Centrally procured

Procurements made in support of materiel managed by the national inventory control point.

Cost-effective

A warranty that has tangible and intangible benefits that exceed the cost to procure, administer, and execute the warranty.

Cost-effectiveness analysis

An analysis of the cost to procure, administer, and execute a warranty compared with the value of tangible and intangible benefits received.

Executable

The ability of the Army to put into operation a contract warranty and make warranty claims within the normal functions of maintenance and supply operations.

Execution

The process of carrying out the Army's right to apply for contract remedies under a warranty, such as making warranty claims.

Exhibit

A part or group of parts that are the residual materiel remaining from a warranty repair action. Broken or failed assemblies or the parts of assemblies that have failed may qualify as exhibits based on the WTB specifies.

Federal Supply Code of Manufacturers

A five-position code assigned to organizations that manufacture or maintain design control for items purchased, used, and cataloged by agencies of the Federal Government.

MACOM

The field command that receives materiel and puts the materiel into operational use.

Item

In this regulation, indicates procured materiel.

Matériel developer

Command or agency responsible for research, development, and production of a system in response to approved requirements.

Systemic failure

A classification for failures that occur with a frequency, pattern, or sameness to indicate a logical regularity of occurrence.

Warranty

As used in this regulation (and FAR 46.7), a promise or affirmation given by a contractor to the Government regarding the nature, usefulness, or condition of the supplies or services furnished under the contract.

Section III**Special Abbreviations and Terms**

This section contains no entries.

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PAGES SET: 21

DATA FILE: C:\wincomp\r700-139.fil

DOCUMENT: AR 700-139

SECURITY: UNCLASSIFIED

DOC STATUS: NEW PUBLICATION