

MEMORANDUM OF  
UNDERSTANDING  
BETWEEN  
THE DEPARTMENT OF DEFENSE OF THE UNITED  
STATES OF AMERICA  
AND  
THE SECRETARY OF STATE FOR DEFENCE OF THE  
UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND  
CONCERNING  
RECIPROCAL DEFENSE PROCUREMENT  
(SHORT TITLE: U.S. DOD-UK MOD RECIPROCAL DEFENSE  
PROCUREMENT MOU)

INTRODUCTION

The Department of Defense of the United States of America (U.S. DoD) and the Secretary of State for Defence of the United Kingdom of Great Britain and Northern Ireland (UK MoD), hereinafter referred to as "the Participants";

BEARING in mind the partnership by each Participant's country in the North Atlantic Treaty Organization;

BEARING in mind the Memorandum of Understanding Between the Government of the United States and the Government of the United Kingdom of Great Britain and Northern Ireland Relating to the Principles Governing Cooperation in Research and Development, Production, Procurement and Logistics Support of Defense Capability, which came into effect on December 16, 2004, was amended on December 17, 2014, and will remain in effect through January 1, 2018. This MOU is a continuation of those principles and supersedes the previous MOU;

RECOGNIZING the Agreement Concerning Defense Co-operation Arrangements Between the Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland (Chapeau Agreement), which entered into force May 27, 1993, as amended, is applicable to this MOU.

RECOGNIZING the Agreement Covering the Exchange of Classified Information Between the Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland, dated April 14, 1961, as amended (hereinafter referred to as the "General Security Agreement"), and including the Security Implementing Arrangement for Operations thereto, dated January 27, 2003, as amended, is applicable to this MOU.

NOTING that the Participants established and have maintained understandings relating to reciprocal defense procurement since 1975;

NOTING that the Participants' defense cooperation relationship is separately characterized by the Declaration of Principles for Defense Equipment and Industrial Cooperation, signed on February 5, 2000, which is independent of but complementary to this MOU;

NOTING that the Participants are seeking to achieve greater cooperation in research, development, production, procurement and logistics support of defense capability and to facilitate the mutual flow of the defense procurement for their armed services, aiming at a long-term equitable balance in their exchanges;

DESIRING to promote the objectives of rationalization, standardization, interoperability, and mutual logistics support throughout their defense relationship;

DESIRING to develop and strengthen the longstanding, close, friendly relations existing between them;

SEEKING to achieve and maintain fair and equitable opportunities for the industry of each country to participate in the defense procurements of the other;

DESIRING to enhance and strengthen each country's industrial base;

DESIRING to promote the exchange of defense technology consistent with their respective national policies;

DESIRING to make the most cost-effective and rational use of the resources allocated to defense; and

DESIRING to remove discriminatory barriers to procurements of supplies and services produced by industrial enterprises of the other country to the extent mutually beneficial and consistent with national laws, regulations, policies, and international obligations;

DESIRING to support the membership of the United Kingdom in the National Technical Industrial Base with a view to increase seamless integration among the NTIB countries;

HAVE jointly decided as follows:

## FOR OFFICIAL USE ONLY

### SECTION 1 Applicability

1. This MOU covers the acquisition of defense capability by the U.S. DoD, the UK MoD and their designated government representatives through:

- 1.1. Research and development;
- 1.2. Procurements of supplies;
- 1.3. Procurements of services; and
- 1.4. Provision of government support for the procurement by the other Participant.

2. This MOU does not cover either:

- 2.1. Construction; or
- 2.2. Construction material supplied under construction contracts.

### SECTION 2 Principles Governing Mutual Defense Procurement Cooperation

1. Each Participant recognizes and expects that the other Participant uses sound processes for requirements definition, acquisition and contracting, and that these processes both facilitate and depend on transparency and integrity in the conduct of procurements. Each Participant will ensure that its processes are consistent with the procurement procedures in Section 5 (Procurement Procedures) of this MOU.

2. Each Participant discharges the responsibilities stated in this MOU with the understanding that it will obtain reciprocal treatment from the other Participant.

3. Each Participant will, consistent with its national laws, regulations, policies, and international obligations, give prompt and favorable consideration to all requests from the other Participant for cooperation in defense capability, research and development, production, procurement, and logistics support.

4. Consistent with its national laws, regulations, policies, and international obligations, each Participant will:

- 4.1. Facilitate defense procurement while aiming at a long-term equitable balance in their purchases, taking into consideration the capabilities of its defense industrial and research and development bases.
- 4.2. Remove barriers both to procurement and to co-production of supplies produced in the other country or services performed by sources and organizations (hereinafter referred to as "industrial enterprises") established in the other country. This includes providing to industrial enterprises of the other

country treatment no less favorable than that accorded to domestic industrial enterprises. When an industrial enterprise of the other country submits an offer that would be the preferred offeror or bidder but for the application of any buy-national requirements, both Participants will waive the buy-national requirement.

4.3. Utilize contracting procedures that allow all responsible industrial enterprises of both countries to compete for procurements covered by this MOU on a fair and transparent basis.

4.4. Give full consideration to all responsible industrial enterprises in both the United States of America and United Kingdom, in accordance with the policies and criteria of the procuring agency. Offers must satisfy the procuring Participant's requirements for performance, quality, delivery, and cost. Where potential offerors or bidders or their products must satisfy qualification or compliance requirements in order to be eligible for award of a contract, the procuring Participant will give full consideration to all applications for qualification or compliance by industrial enterprises of the other country, in accordance with the national laws, regulations, policies, procedures, and international obligations of the procuring Participant.

4.5. Provide information or notice regarding requirements and proposed procurements in accordance with Section 5 (Procurement Procedures) of this MOU to ensure adequate time for industrial enterprises of the other country to qualify for eligibility, if required, and to submit an offer.

4.6. Inform industrial enterprises choosing to participate in procurements covered by this MOU of the restrictions on technical data and defense items (defense supplies and services) made available for use by the procuring Participant. These restrictions include the requirement that such technical data and defense items made available by the procuring Participant may not be used for any purpose other than for bidding on, or performing, defense contracts covered by this MOU, except as authorized, in writing, by those owning or controlling proprietary rights, or furnishing the technical data or defense items.

4.7. Give full protection to proprietary rights and to any privileged, protected, export controlled, or classified data and information provided by the other Participant. In no event will such data, supplies, or services be transferred to a third country or any other transferee without the prior written consent of the originating Participant.

4.8. Exchange information on pertinent laws, implementing regulations, policy guidance, and administrative procedures.

4.9. Annually discuss and exchange procurement statistics demonstrating the total monetary value of defense procurements awarded to industrial enterprises of the other country during the prior year. The Participants will also discuss and exchange any other relevant supporting information regarding the activities conducted under this MoU. An annual summary will be prepared on a basis to be jointly decided.

4.10. Provide appropriate policy guidance and administrative procedures within its respective defense organizations to implement this MOU.

5. This MOU is not intended to and does not create any authority to authorize the export of defense items (defense supplies or defense services), including technical data, controlled by the government of one or the other Participant under its applicable export control laws and regulations. Any export by the industries of the Participants subject to the national export control laws and regulations of the government of one of the Participants is to be carried out in compliance with such laws and regulations.

6. Nothing in this MOU may be cited to prevent the implementation of necessary export control provisions in individual cooperative project agreements or arrangements.

### SECTION 3

#### Offsets

This MOU does not regulate offsets. The Participants commit to discuss measures to limit any adverse effects that offset agreements have on the defense industrial base of each country.

### SECTION 4

#### Customs, Taxes, and Duties

When allowed under national laws, regulations, and international obligations applicable to the Participants, the Participants commit that, on a reciprocal basis, they will not include customs, taxes, and duties in the evaluation of offers, and will use their best endeavours to waive their charges for customs and duties for procurements to which this MOU applies.

### SECTION 5

#### Procurement Procedures

1. To the extent practicable, each Participant will publish, or have published, in a generally available communication medium, a notice of proposed procurements. Any conditions for participation in procurements will be published in adequate time to enable interested industrial enterprises to complete the bidding process. Each notice of proposed procurement will contain, at a minimum and not limited to:

1.1. The subject matter of the contract;

1.2. Time limits set for requesting the solicitation and for submission of offers; and

1.3. An address from which solicitation documents and related information may be requested.

2. Upon request, and in accordance with its national laws, regulations, policies, procedures, and international obligations, the procuring Participant will provide industrial enterprises of the other country copies of solicitations for proposed procurements. A solicitation will constitute an invitation to participate in the competition and will include the following information:

- a. The nature and quantity of the supplies or services to be procured;
- b. Whether the procurement is by sealed bidding, negotiation, or some other procedure;
- c. The basis upon which the award is to be made, such as by lowest price or otherwise;
- d. Delivery schedule;
- e. The address, time, and date for submitting offers;
- f. The address of the agency that will be awarding the contract and will be responsible for providing any information requested by offerors or bidders;
- g. Any economic requirements, financial guarantees, and related information required from suppliers;
- h. Any technical requirements, warranties, and related information required from suppliers;
- i. The amount and terms of payment, if any, required to be paid for solicitation documentation;
- j. Any other conditions for participation in the competition; and
- k. The point of contact for any complaints about the procurement process.

3. Consistent with its national laws, regulations, policies, and international obligations, and upon request by a potential offeror or bidder, and during the period of authorized communication, the procuring Participant (or relevant source selection authority in the procuring Participant's country) will, if applicable, inform a potential offeror or bidder why it is not eligible to participate in the source selection or procurement process.

4. The procuring Participant will:

4.1. Upon award of a contract, promptly provide notification to each unsuccessful offeror or bidder that includes, at a minimum:

- a. The name and address of the successful offeror or bidder;
- b. The price of each contract award; and
- c. The number of offers received.

4.2. Upon request, promptly provide unsuccessful offerors or bidders pertinent information concerning the reasons why they were not awarded a contract.

5. Each Participant will have published procedures for the hearing and review of complaints arising in connection with any phase of the procurement process to ensure that, to the greatest extent possible, complaints arising under procurements covered by this MOU will be equitably and expeditiously resolved.

## SECTION 6

### Industry Participation

1. To ensure that this MOU benefits industrial enterprises within the country of the Participant choosing to participate in the procurements covered by this MOU, each Participant will provide information concerning this MOU to relevant industrial enterprises of each country. Each Participant will be responsible for informing the relevant industrial enterprises within its country of the existence of this MOU.

2. The Participants understand that primary responsibility for finding business opportunities rests with the industrial enterprises of each Participant's country.

3. The Participants will arrange for their respective procurement and requirements offices to be familiar with the principles and objectives of this MOU so that, consistent with their normal practices and procedures, those offices may assist industrial enterprises in the country of the other Participant to obtain information concerning proposed procurements, necessary qualifications, and appropriate documentation.

## SECTION 7

### Security, Release of Information, and Visits

1. All classified military information or material provided or generated pursuant to this MOU will be stored, handled, transmitted, and safeguarded in accordance with the General Security Agreement Between the Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland, which entered into force by an exchange of diplomatic notes on April 14, 1961, as amended, and including the Security Implementing Arrangement for Operations thereto, dated January 27, 2003.

2. Both Participants will take all necessary steps to ensure that industrial enterprises within each Participant's respective country comply with the applicable regulations pertaining to security and safeguarding of classified information.

3. Each Participant will take all lawful steps available to it to prevent the disclosure to a third party of unclassified information that was exchanged in confidence between the Participants pursuant to this MOU unless the Participant that provided the information consents in writing to such disclosure.

4. Each Participant will permit visits to its establishments, agencies and laboratories, and contractor industrial facilities by employees of the other Participant or by employees of the other Participant's contractors, provided that such visits are authorized by both Participants and the employees have appropriate security clearances and a need-to-know.

5. Requests for visits under the preceding subparagraph will be coordinated through official channels and will conform to the established visit procedures of the host Participant. All

visiting personnel will comply with security and export control regulations of the host country. Any information disclosed or made available to authorized visiting personnel will be treated as if supplied to the Participant sponsoring the visiting personnel and will be subject to the provisions of this MOU.

## SECTION 8

### Implementation and Administration

1. The Under Secretary of Defense (Acquisition, Technology, and Logistics) will be the responsible authority in the U.S. DoD for implementation of this MOU. The Chief Executive Officer, Defence Equipment and Support, will be the responsible authority in the UK MoD for implementation of this MOU.
2. Each Participant will designate points of contact to represent its responsible authority.
3. The representatives of each Participant's responsible authority will meet on a regular basis to review progress in implementing this MOU. The representatives will discuss procurement methods used to support effective cooperation in the acquisition of defense capability; annually review the procurement statistics exchanged as decided under paragraph 4.9 of Section 2 (Principles Governing Mutual Defense Procurement Cooperation) of this MOU; identify any prospective or actual changes in national laws, regulations, policies, procedures, or international obligations that might affect the applicability of any terms in this MOU; and consider any other matters relevant to this MOU.
4. Each Participant will, as required, review the principles and obligations reflected in this MOU in light of any subsequent changes to its national laws, regulations, policies, and international obligations, and will consult with the other Participant to decide jointly whether this MOU should be modified.
5. Each Participant will avoid commitments that could conflict with this MOU. If either Participant believes that such a conflict has occurred, the Participants commit to consult to seek resolution.
6. Each Participant will proceed with its defense procurements under this MOU in accordance with its national laws, regulations, policies, and international obligations, and all the provisions in this MOU will be conducted in compliance with the Participant's respective national laws, regulations, and policies. The responsibilities of the Participants will be subject to the availability of funds for such purposes.

## SECTION 9

### Annexes and Modifications

1. Annexes may be added to this MOU by written determination of the Participants. In the event of a conflict between a Section of this MOU and any of its Annexes, the language in the MOU will govern.
2. This MOU, including its Annexes, may be modified by written determination of the Participants.



SECTION 10  
Effective Date, Duration, and Discontinuance

1. This MOU, including Annexes I and II, will become effective upon signature by both Participants and will remain in effect for ten years, unless terminated by mutual consent by the Participants. Either Participant may withdraw from this MOU upon giving 180 days written notice to the other Participant of its intent to withdraw. Such notice will be the subject of immediate consultation by the Participants to enable them to evaluate fully and determine the consequences of such withdrawal and to decide upon the appropriate course of action to conclude activities under this MOU. If the Participants are unable to resolve any issues through consultation, then this MOU will be discontinued.
2. Discontinuance of this MOU will not affect contracts entered into during the term of this MOU.
3. Disputes between the Participants arising under or relating to this MOU will be resolved by consultation between the Participants and will not be referred to a national court or international tribunal or third party for settlement.

The duly authorized representatives of each Participant have signed this MOU.

Signed, in duplicate, in the English language.

FOR THE DEPARTMENT OF DEFENSE  
OF THE UNITED STATES OF AMERICA

FOR SECRETARY OF STATE FOR  
DEFENCE OF THE UNITED KINGDOM  
OF GREAT BRITAIN AND NORTHERN  
IRELAND



Signature

ELLEN M. LORD

Name

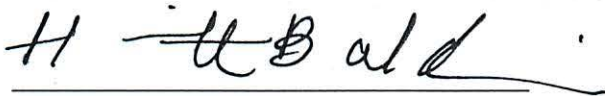
Under Secretary of Defense  
Acquisition, Technology and  
Logistics

Title

WASHINGTON D.C.

Place

Date 22 DECEMBER 2017



Signature

HARRIETT BALDWIN

Name

Minister for Defence  
Procurement

Title

London

Place

Date 13<sup>th</sup> December 2017

**ANNEX I**  
**REGARDING RECIPROCAL GOVERNMENT QUALITY ASSURANCE SERVICES**  
**TO**  
**THE MEMORANDUM OF UNDERSTANDING**  
**BETWEEN THE**  
**THE DEPARTMENT OF DEFENSE OF THE UNITED STATES OF AMERICA**  
**AND**  
**THE SECRETARY OF STATE FOR DEFENCE**  
**OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND**  
**CONCERNING**  
**RECIPROCAL DEFENSE PROCUREMENT**

**SECTION 1**

**Introduction**

A. This Annex sets forth the provisions under which each Participant, in its country, will provide the other Participant with Government Quality Assurance (GQA) services in support of defense contracts and subcontracts to which the U.S. DoD-UK MoD Reciprocal Defense Procurement MOU applies. The services exchanged under the provisions of this Annex are limited to GQA services.

B. In general, the responsibilities of the Participants under this Annex will be carried out by their respective quality assurance national authorities listed in Section 2 (Definitions and General Scope) of this Annex I (hereinafter referred to as the "Authorities"). The Authorities will accomplish such GQA services without charge in accordance with the process established in Allied Quality Assurance Publication (AQAP) 2070 and documented laws, directives, regulations, and procedures of the respective Participants' Governments.

C. This Annex applies to contracts entered into after the effective date of the U.S. DoD-UK MoD Reciprocal Defense Procurement MOU, except as otherwise provided. However, a contract awarded by the U.S. DoD after the effective date of the MOU, but which supports an FMS case that was entered into prior to the effective date of the U.S. DoD-UK MoD Reciprocal Defense Procurement MOU, continues to be covered by the provisions of this Annex.

D. Notwithstanding any other provisions of this Annex, if special arrangements for GQA support are made under an international cooperative project in which the U.S. DoD and the UK MoD participate, those special arrangements will have precedence over this Annex.

E. The objective of this Annex is to ensure that each of the Authorities is able to employ the most effective and efficient GQA process possible when acting under the provisions of this Annex.

## SECTION 2

### Definitions and General Scope

**A. The following definitions apply to this Annex:**

- 1. Acquirer:** Either Participant, or an organization or agency of either Participant that enters into a contractual relationship with a Supplier and defines the product and quality requirements.
- 2. Authorities:** The Authorities are defined as the Defense Contract Management Agency (DCMA) for the U.S. DoD and the Secretariat General of Defense and National Armaments Directorate for the UK MoD.
- 3. Classified information:** Official information that requires protection in the interests of national security and is so designated by the application of a security classification marking. This information may be in oral, visual, magnetic, or documentary form, or in the form of equipment or technology.
- 4. Controlled Unclassified Information:** Unclassified information to which access or distribution limitations have been applied in accordance with applicable national laws or regulations. It could include information that has been declassified but remains controlled.
- 5. Delegator:** The representative authorized by an Authority to request GQA support from the other Authority or purchasing Participant.
- 6. Delegatee:** The representative authorized by an Authority to ensure GQA support is performed on behalf of the other Authority.
- 7. Government Quality Assurance (GQA):** The process by which the appropriate Authorities establish confidence that the contractual requirements relating to quality are met by the Supplier.
- 8. Government Quality Assurance Representative (GQAR):** The representative authorized by an Authority to perform GQA at the Supplier's facilities on behalf of the Delegator in accordance with a Request for Government Quality Assurance (RGQA).
- 9. Request for Government Quality Assurance (RGQA):** The formal written request of the Delegator to the Delegatee to perform GQA on a defense contract.

10. Supplier: A company or contractor that acts in a contract as the provider of products to the Acquirer.

**B. Referenced documents (most recent edition):**

1. NATO Standardization Agreement (STANAG) 4107 - Mutual Acceptance of Government Quality Assurance and Usage of the Allied Quality Assurance Publications.

2. Allied Quality Assurance Publication (AQAP) 2070 – NATO Mutual Government Quality Assurance (GQA) Process and Standards Related Document (AQAP) 4107 SRD.1 – Appropriate National Authorities and Focal Points for Delegation of Government Quality Assurance.

**C. An RGQA under this Annex will normally be restricted to those cases in which quality cannot be verified satisfactorily after receipt of the deliverables of a contract or where GQA support at source is otherwise considered essential. GQA should not normally be requested for non-complex, non-critical, or low-risk products or contracts.**

1. Purchases by the UK MoD from the U.S. DoD under the U.S. Foreign Military Sales (FMS) Program will be in accordance with the U.S. Arms Export Control Act and associated regulations, policies, and procedures.

2. FMS purchases are U.S. DoD (Acquirer) contracts and do not normally require an RGQA to be initiated by the U.K. purchaser. As a minimum, such FMS purchases will be afforded the same GQA support as the U.S. DoD invokes for similar procurements that it makes for its own use. However, where special or specific GQA requirements are necessary for FMS purchases, the requirements will be communicated directly to the U.S. DoD (Acquirer), who will forward those special or specific GQA requirements to the DCMA. If assistance is required by the UK Delegator, he or she will contact the DCMA DoD Central Control Point (DoD CCP) directly.

3. For all other defense-related contracts issued by the U.S. DoD or the UK MoD, i.e., direct procurements of defense products, then either Authority may request the other Authority to provide GQA services based on the process described in AQAP 2070.

**D. Each Authority will maintain a point for receipt of the RGQA. The Central Control Point CCP contact information (i.e., mailing address, email address, phone numbers, etc.) will be maintained and kept current in NATO STANAG 4107.**

1. Requests by the U.S. DoD for GQA services in the United Kingdom will be sent via email to the UK MoD CCP.

2. Requests by the UK MoD for GQA support in the United States will be sent to the DCMA DoD CCP.

E. Each Authority will be responsible for arranging for the performance of the required GQA support by its appropriate national organization.

F. Where GQA support on major programs or projects is contemplated, the Authorities will consider conducting a joint GQA requirements review and planning meeting to ensure contractual requirements are thoroughly understood and to plan GQA surveillance jointly.

G. The Authorities will endeavor to keep each other well informed regarding their GQA practices and resources to help ensure that requests for GQA support are reasonable and prudent. Continuous GQA process improvement efforts and opportunities will be shared between the Authorities.

H. The Authorities may perform other necessary contract administration functions (e.g., government property surveillance) through their own representatives, including GQA functions not delegated in an RGQA. In such cases, the Delegator or purchasing Authority will inform the other Authority in order to avoid duplication of work.

I. Visits by representatives of the Acquirer's Authority to its Supplier's plant will be coordinated with the Delegatee's Authority, which will have the right to accompany the visiting representatives. The Acquirer's access to its suppliers, subcontractors, and their records, as may be authorized contractually, will not be impaired or affected in any other way by the provisions of this Annex.

### SECTION 3

#### GQA Delegation Process

A. The procedures and processes of NATO Standardization Agreement (STANAG) 4107 - Mutual Acceptance of Government Quality Assurance and Usage of the Allied Quality Assurance Publications, and Allied Quality Assurance Publication (AQAP) 2070 - NATO Mutual Government Quality Assurance (GQA) Process, will be used when:

1. Either Authority is requesting GQA services from the other Authority.
2. Either Authority is performing GQA services on behalf of the other Authority.

B. When GQA support is contemplated, the Delegator will ensure:

1. Authorization (usually by contract or purchase order) is provided for GQAR access to the supplier or subcontractor's facilities and records, and the use of supplier or subcontractor assets, as necessary for the performance of GQA.

2. Appropriate quality assurance standards are imposed by the contract and/or subcontract. Contractual QA standards are not limited to contractual Allied Quality Assurance Publications (NATO AQAPs). These QA standards may include AQAPs, ISO 9001 or AS/EN 9100, Military QA standards, National QA standards, or similar standards.

3. When non-military QA standards are used in a contract and/or subcontract, additional GQA requirements will be specified as necessary on the RGQA.

C. To the greatest extent possible, the RGQA will be risk-based. Each Authority will use its own national practices to identify the specific risks whose mitigation the Delegator requires to be influenced by GQA or the specific risk-related tasks the Delegator requires to be performed. The risks and/or risk-related tasks will be documented in the RGQA. A copy of the risk assessment is not required to accompany each RGQA.

D. Where the Acquirer has identified and/or imposed mandatory GQA requirements, these requirements will be identified as such in the RGQA.

E. Critical product characteristics or processes that may require a more intensive GQA approach (other than risk-based) will be coordinated with the Delegatee in advance of issuing an RGQA. It is the Delegator's responsibility to identify in the RGQA the critical characteristics or processes requiring GQA activities. The Delegatee may propose an alternative GQA approach.

F. Normally, the Delegatee will acknowledge receipt of an RGQA within five (5) working days of receipt and will either accept or reject the RGQA within twenty (20) working days of receipt. Immediately upon acceptance of an RGQA, the Delegatee will plan and implement the GQA activities.

G. Rejection of an RGQA will be on an exception basis only and will be limited to unusual circumstances. Should it be necessary to reject an RGQA, the Delegator will be formally notified and provided the rationale, in writing, as to why the RGQA was rejected. The Delegatee should propose an alternative GQA approach in lieu of rejecting the RGQA.

H. The Delegator may modify an RGQA during contract performance after consultation with the Delegatee. Based on knowledge of the supplier's current or past performance, the Delegatee will advise the Delegator when the risks/tasks identified on the RGQA are considered unwarranted, excessive, or insufficient. The Delegator is the final authority for defining the GQA requirements.

I. If the requirements in the RGQA include functions beyond the current technical capabilities or resource capacities of the Delegatee, the Delegatee will immediately notify the Delegator. In such cases, the Delegatee will not procure technical experts or additional resources needed

to perform those functions without the written consent of the Delegator. The Delegator will make other arrangements for the performance of the RGQA.

J. The responsibilities of the Authorities' representatives associated with subcontract delegations and deviation permits and concessions will be as defined in AQAP 2070.

K. The Delegatee will maintain records of all GQA activities performed in support of the RGQA. Unless otherwise stated in the RGQA, record retention periods will be in accordance with national practices. GQA records will be made available to the Delegator upon request.

L. If at any time during the course of the performance of GQA the Delegatee cannot proceed with GQA, the Delegatee will so advise the Delegator of the facts as expediently as possible. Situations warranting notification will include, but are not limited to:

1. Deficiencies in the Supplier's quality management system, processes, or product.
2. Deficiencies expected to be a cause of excessive contract delivery delay.

M. The Delegatee will inform the Delegator at RGQA completion.

N. The Acquirer will retain final authority over contract interpretations and enforcement actions, and it will advise the assigned GQA support office in a timely fashion on such matters.

#### SECTION 4 Responsibility and Liability

A. Nothing in this Annex will relieve the Supplier of any responsibilities under the contract. No liability will attach to the Participant (including the Authority), its officers, or its representatives acting under this Annex on behalf of the other Participant.

B. Should defective materials or services be detected subsequent to delivery, the Delegatee will assist the Delegator in the investigation of such defects.

#### SECTION 5 Security and Protection of Information

A. Any classified information, data, or material exchanged under the terms of this Annex will be protected in accordance with the national laws and regulations of each Participant's respective government for the protection of such information, including but not limited to the General Security Agreement.

B. The highest level of classified information that will be disclosed under this Annex will be consistent with (1) the terms of the RGQA and the contract under which GQA services will be performed, and (2) the security agreement between the Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland for the protection of classified information that is in effect at the time.

C. Each Participant will take all lawful steps available to it to keep information exchanged in confidence under this Annex free from disclosure under any legislative provision, unless the other Participant consents in writing to such disclosure.

D. To assist in providing the desired protection, each Participant will mark such information furnished to the other with a legend indicating the country of origin, the security classification, the condition of release, and, if unclassified, the fact that the information relates to this Annex and that it is furnished in confidence.

E. Unclassified information provided by either Participant to the other in confidence, and information produced by either Participant pursuant to this Annex or the U.S. DoD-UK MoD Reciprocal Defense Procurement MOU requiring confidentiality will be safeguarded in a manner that ensures its proper protection from unauthorized disclosure.

1. If a Delegatee requires access to Controlled Unclassified Information (CUI) (e.g., export controlled drawings and specifications) in order to perform the required GQA surveillance at the Supplier's plant, the CUI will be provided, controlled, and protected in accordance with the national laws and regulations of the Participants' government, including export control laws and regulations.

2. Both Participants recognize that it is the Supplier's responsibility to comply with export control laws and regulations. Host nation GQA personnel are not responsible for performing oversight or surveillance of a Supplier's compliance with export controls or export licenses.

F. In the event of termination or expiration of this Annex, the provisions of this Section will continue to apply.

## SECTION 6

### Charges

A. GQA services provided under this Annex will be provided free of charge, subject to a joint review of the services being exchanged under Section 7 (Review and Revision) of this Annex. If, as a result of a joint review, either Authority determines that charges will be necessary, charges may be imposed after not less than twelve months advance notice.

B. In the event of unusually heavy resource effects being incurred, appropriate charges may be negotiated. The expenses for product expended during the performance of GQA either on contracts or subcontracts (e.g., destructive testing, live firing tests, etc.) will be borne in accordance with arrangements made between the contracting Participants.

## SECTION 7

### Review and Revision

A. This Annex will be reviewed jointly by the Authorities at the request of either Participant at least every three-years. However, if considered necessary by either Authority, a joint review may be initiated at any time during the intervening years. The review will ensure that the provisions of this Annex are being effectively implemented, that the quality of services



being provided continue to meet the needs of the Authorities, and that general reciprocity is being maintained. Based on the review, the Annex will be revised as necessary.

B. The Authorities are responsible for managing and continuously improving their implementation of the reciprocal GQA process.

**ANNEX II**  
**REGARDING RECIPROCAL AUDIT SERVICES TO SUPPORT**  
**THE MEMORANDUM OF UNDERSTANDING**  
**BETWEEN THE**  
**THE DEPARTMENT OF DEFENSE OF THE UNITED STATES OF AMERICA**  
**AND**  
**THE SECRETARY OF STATE FOR DEFENCE OF UNITED KINGDOM**  
**OF GREAT BRITAIN AND NORTHERN IRELAND**  
**CONCERNING**  
**RECIPROCAL DEFENSE PROCUREMENT**

**SECTION 1**  
**INTRODUCTION**

This Annex sets forth the provisions and procedures under which the Participants, recognizing the need for reciprocity in the arrangements and the need for mutual benefit, will provide one another with contract audit services upon request in support of defense contracts and subcontracts, and Foreign Military Sales (FMS) contracts, to which the U.S. DoD-UK MoD Reciprocal Defense Procurement MOU applies.

**SECTION 2**  
**GENERAL PRINCIPLES**

A. The objective of this Annex is to provide effective, efficient, impartial, and timely audit services to the cognizant contracting officers of the Participants. Either Participant may request audit services from the other Participant. Each Participant will perform the audits requested by the other Participant or otherwise required by this Annex, subject to the relevant laws and regulations of either Participant's government and in accordance with the respective auditing standards of each Participant. By arrangement between the Participants, the requesting Participant may elect to perform an audit in circumstances where the other Participant is unable to meet the request.

B. Contract audit reports will be advisory. The purchasing Participant will retain authority and responsibility for negotiating acceptable prices and contract settlements with contractors. Purchases by the UK MOD under the FMS Program will be handled under the U.S. DoD FMS procedures in existence at the time of acceptance of the FMS agreement.

C. There are many similarities between the U.S. Government Contract Cost Principles and Procedures set forth in the Federal Acquisition Regulation (FAR) Part 31 and the "Single Source Cost Standards (SSCS)" that are applicable in the United Kingdom. When performing an audit the Participants will identify all costs that are expressly not allowed under the procedures that are applicable to the proposal, contract, or other matter being audited. When performing an accounting or estimating systems audit for the U.S. DoD, the UK MOD will evaluate compliance in accordance with DFARS 252.242-7005 Contractor Business Systems.

D. The UK MoD will also apply the FAR Part 31 and DFARS Part 231 general principles of allocability, allowability, and reasonableness. UK companies will be audited for compliance with applicable FAR Part 30 and DFARS Part 230 cost accounting standards except for those

UK companies that qualify for compliance with Cost Accounting Standards (CAS) 401 and 402 only, by reason of filing an acceptable Disclosure Statement or Supplemental Questionnaire on the Method of Allocation of Costs (QMAC).

E. The U.S. DoD will audit to Generally Accepted Government Auditing Standards (GAGAS) published by the U.S. Government Accountability Office. The UK MoD will audit to "Public Sector Internal Audit Standards" and "HMG MoD Cost Assurance and Analysis Service (CAAS) auditing standards" when performing audits for the U.S. DoD. For forward pricing audit reviews, both the financial and the technical elements will be evaluated and reported, unless a limited audit scope is requested.

F. The UK MoD will accept audits performed by the U.S. DoD, which use FAR Part 31 and DFARS Part 231 cost principles and FAR Part 30 and DFARS Part 230 cost accounting standards, and DFARS 252.242-7005, subject to review in the event of changes in the cost principles or cost accounting standards.

G. Neither Participant will duplicate nor review the work of the other except in regards to the provision of feedback to the performing Participant on the utility and clarity of audit reports.

H. The Participants will hold periodic discussions to evaluate the operational effectiveness of the reciprocal audit arrangement. Each Participant will evaluate its compliance with this Annex in accordance with the U.S. DoD-UK MoD Reciprocal Defense Procurement MOU provisions. A copy of the results of each such review will be provided to the other Participant.

I. Solicitations, contracts, and subcontracts will contain adequate provisions to enable the Participants to act for and on behalf of one another under this Annex and will authorize access to contractors' facilities and records, as necessary.

J. Nothing in this Annex is to be construed to limit a purchasing Participant's rights or remedies, including access to contractor's records, in accordance with the terms of the contract or subcontract as required by the law or policy of the purchasing Participant.

### SECTION 3 SCOPE OF AUDIT ANNEX

A. This Annex encompasses audits in support of contracts and subcontracts for defense equipment and services, and FMS contracts, to which the U.S. DoD-UK MoD Reciprocal Defense Procurement MOU applies. It does not cover audits for architecture, engineering, construction, base support, operation and maintenance, or banking services, or contractors solely in the business of supporting U.S. DoD presence in the United Kingdom.

B. For purposes of this Annex, contract audit services will include the following types of audits:

1. **Forward Pricing Audits:** Review of proposals submitted in contemplation of a contract award or a contract modification, or in relation to negotiating a price of an unpriced contract based on estimated costs, to determine the allocability, allowability, and reasonableness of each proposed cost element.

2. **Accounting System Audits:** Review of contractor accounting records, procedures, and systems to determine their accuracy, currency, completeness, and compliance with contract requirements.
3. **Estimating System Audits:** Evaluation of cost estimating systems.
4. **Post Award Audits:** Verification after contract award of the currency, accuracy, and completeness of cost or pricing data submitted to the purchasing Participant as of the completion of negotiations. Post-award audits will be performed automatically, without a request, by both Participants whenever required under the purchasing Participant policies and on a sample basis for non-mandatory cases. In addition, additional post award audits may be requested by either Participant. Post-award audits will be performed under the provisions of this Annex, provided that the requesting Participant has made available to the performing Participant all data regarding the price negotiation and agreement.
5. **Reimbursement Vouchers Audits:** Verification of payment vouchers and claims for interim payments submitted under cost reimbursement contracts or other contracts with cost reimbursement features (e.g., material reimbursement), recommending cost disallowances when appropriate.
6. **Audits of Disclosed Accounting Practices:** Verification of contractor compliance with disclosed accounting practices and contractual accounting requirements.
7. **Overhead Cost Audits:** Evaluation of overhead cost records prior to overhead settlements.
8. **Termination Audits:** Evaluation of overhead termination costs and contract cost records prior to termination settlements.
9. **Final Pricing Audits:** Review and verification of actual costs incurred in the performance of cost reimbursement and fixed price incentive contracts for purposes of establishing the final cost or price.
10. **Post Costing Audits:** For relevant contracts placed by the UK MoD, comparison and analysis, after contract completion, of out-turn, i.e., incurred, costs as against estimated costs used as a basis for pricing.
11. **Other:** Audit services considered necessary and requested by the contracting Participant after review and approval of the request by the head of DCMA or DCAA audit services.

B Both Participants will use, when appropriate, audit work already carried out by the performing Participant for its own purposes in order to satisfy the requirements of the requesting Participant.

C. Requests for audit services that fall below the current value threshold adopted by the requesting Participant will only be accepted by the performing Participant if adequate written justification of the need for the audit is provided.

## SECTION 4 PROCEDURES

A. Requests for contract audit services in the United States will be sent with a copy of the contractor's proposal (if applicable) using air mail, telephonic facsimile, or e-mail to:

DoD Central Control Point

Defense Contract Management Agency

ATTN: DCMA-FBR

3901 A Avenue, Building 10500

Fort Lee, Virginia 23801-1809 USA

Tel: 804-734-1484

Email: [dodccp@dcma.mil](mailto:dodccp@dcma.mil)

B. Complete requests for audit services in France, Germany, the Netherlands, or the United Kingdom using the forms and form completion instructions available at [http://www.dcma.mil/CMO/Division\\_I/contact.cfm](http://www.dcma.mil/CMO/Division_I/contact.cfm).

Requests for audits will specify:

1. A contact name, telephone number, facsimile number, and e-mail address.
2. The type of audit services needed.
3. The contractor's name and address.
4. The subcontractor's name and address (if applicable).
5. The proposal reference and value (if applicable).
6. Audit coverage required including any items requiring special review.
7. The calendar date (not the number days after receipt of audit request) that the audit report is needed.
8. A contact name, telephone number, facsimile number, and e-mail address.

C. Requests will be acknowledged via telephonic facsimile or email by the performing Participant and a point of contact, telephone number, facsimile number, and e-mail address will be provided.

D. Each Participant will establish the following procedures:

1. U.S. DoD auditors will identify the DoD CCP liaison, the DCAA liaison, and the audit manager. Both the DoD CCP liaison and the DCAA liaison will serve as liaisons and provide contact information to counterparts. The liaison will assist in obtaining clarification of audit requests or audit reports whenever necessary. The liaison also will assist in resolving problems with the timeliness, content, or quality of audit reports. The UK MoD MoU auditors will identify the appropriate UK MoD Senior Accountant to serve as a liaison person and provide his or her contact details to U.S. DoD counterparts.

2. When difficulties cannot be resolved between the requesting officer and the identified senior manager of the performing Participant, the issue will be escalated to successive levels of management.

3. Each Participant will appoint a central liaison officer for the purpose of addressing matters of general audit policy and procedure.

E. Each Participant will provide audit reports in a timely manner. Audit reports submitted in accordance with the requested due dates are timely. The particular features, scope, and risk factors of each audit will influence the time needed to complete the audit, and each request should include the contractor proposal or a proposal summary schedule. With respect to the audit of forward pricing proposals, requested due dates should not generally be set at less than 45 days from the date of receipt of the audit request or upon receipt of an acceptable proposal for audit, whichever is the latest. In special circumstances, requested due dates may be set at less than 45 days by arrangement between the Participants.

F. Due dates will be discussed throughout the initial risk assessment of the proposal conducted by the auditor to ensure a mutually achievable date. If the due date specified by the requesting Participant cannot be met, the performing Participant will contact the point of contact identified in the audit request to explain the reasons for the delay and to discuss possible adjustments to the scope of audit. If the failure to meet the requested due date is caused by external factors, not within the control of the Participant performing the audit (such as not obtaining necessary cost data from a contractor), the purchasing Participant will attempt to assist in resolving the problem and grant reasonable extensions, as appropriate. If the inability to meet the requested due date is caused by action or inaction of the performing Participant, the issue will be escalated to successive levels of management and the audit liaison person.

G. The Participants will provide each other with access to all available information concerning contractor cost estimating systems and disclosed accounting practices when needed to support contract negotiations or enforcement. Contracts requiring the disclosure of accounting practices will normally authorize contractors to file such disclosures with their own Participants. In the United States, the file will be maintained by the office administering the contracts. In the United Kingdom, the files will be maintained by the audit agency section responsible for auditing the contractor concerned.

H. In order to facilitate periodic appraisal of this Annex, both Participants consent to maintain a list of all audits performed for the other, identifying the specific office that requested the audit.

1. The performing authority should conduct the audit in accordance with its current auditing and accounting standards listed in Section 2, paragraphs E. and F. of this Annex II, the performing authority's applicable, conventions and its applicable national laws and practices governing the audit of costs applicable to contracts with the Participant's government where the work is performed.

2. The performing authority will carry out the audit using the same standards and methods concerning qualifications, independence, and professional care, as if the audit were being carried out for its own government.

3. The performing authority and the requesting authority will consult with one another in the event of unforeseen circumstances that are likely to affect the quality of the contract audit.

## SECTION 5 CONTENT OF AUDIT REPORTS

A. In general, the Participants will endeavor to provide each other with audit reports that reflect the scope and depth normally provided under their respective national arrangements. The level of detail to be provided in forward pricing audits will be sufficient to determine adequately the fairness and reasonableness of the cost and/or price proposal and good value for money.

B. All audit reports will describe the type, scope, depth of the evaluation performed, and a point of contact with a telephone number. The audit reports will describe what was reviewed or evaluated, the methodology used to perform the review, findings of the review, recommendations of the auditor, and the basis for the recommendations. The audit report will address any areas that were specifically requested for review.

C. Each contract or subcontract audit performed will include the appropriate steps to evaluate for unallowable costs and identify any unallowable costs. The audit report should identify the extent to which issues raised by the auditor were discussed with the contractor. Supporting evaluations by technical and other specialists will be included in the reports as appropriate. In the case of audits performed for the U.S. DoD by the UK MoD, normal practice will involve both the accountancy and cost engineering personnel of the UK audit agency.

D. The purchasing Participant may request additional clarifications or supporting data, if necessary, and will have the final authority to determine when the information provided is adequate for its purposes.

E. For forward pricing audits, the reports will, for each element of proposed cost, identify: the offeror's proposed cost; the basis for the proposed cost (which should include, subject to respective national laws, regulations, established policies, and procedures, the years over which the costs fall, rates, labor costs/hours, materials, subcontracts, allowances, and contingencies); how the auditor evaluated it; any recommended exceptions (questioned costs); and rationale supporting the recommended exceptions (questioned costs).

F. The audit report will make recommendations, subject to Section 6 (Protection of Information) below, and provide information to a level of detail sufficient for the purchasing Participant to determine adequately the fairness and reasonableness of the proposed costs and hours and to permit it to develop and justify its negotiating position. The audit will verify, and the audit report will state, that the proposed rates are in line with the forward pricing rate agreement agreed with the contractor when carrying out defense work for their respective Participants.

## **SECTION 6**

### **PROTECTION OF INFORMATION**

Every audit report will contain criteria and qualifications regarding the release of the report which is to be strictly observed by the requesting Participant. No privileged or confidential commercial or financial information contained in a report will be disclosed to third parties other than the Participants without the express consent of the authorized officers of both Participants and the audited contractor. However, the contracting officer normally will release a summary of the results of audits of subcontractors to higher tier contractors for negotiations purposes. This summary will exclude material that is commercially confidential to the audited subcontractor. Data obtained through the implementations of this Annex will receive the same protection against unauthorised disclosure as it would normally receive under the laws and rules of the government that possesses the data.

## **SECTION 7**

### **CHARGES**

Services will be provided under this Annex without charge provided that a joint review of the services, in accordance with the U.S. DoD-UK MoD Reciprocal Defense Procurement MOU provisions, indicates that equitable reciprocity is being maintained. After such joint review, either Participant may propose the imposition of charges