QUALITY ASSURANCE

The Fastener Quality Act’s Small-Lot Exemption
June 8, 2001

The Honorable Ernest F. Hollings
Chairman
The Honorable John McCain
Ranking Minority Member
Committee on Commerce, Science, and Transportation
United States Senate

The Honorable W. J. “Billy” Tauzin Jr.
Chairman
The Honorable John D. Dingell
Ranking Minority Member
Committee on Energy and Commerce
House of Representatives

The Honorable Sherwood L. Boehlert
Chairman
The Honorable Ralph M. Hall
Ranking Minority Member
Committee on Science
House of Representatives

To prevent substandard fasteners (threaded metallic screws, nuts, and bolts) from being used in products where safety is critical, Congress enacted the Fastener Quality Act (FQA) in 1990.\(^1\) The law required persons who manufacture and sell high-strength fasteners to ensure that the fasteners meet applicable standards and specifications through laboratory testing and recordkeeping.

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\(^1\) P.L. 101-592.
Companies that use fasteners, particularly those of foreign automobiles, subsequently became concerned that under the act, fastener manufacturers’ costs for laboratory testing and recordkeeping could make fasteners purchased in small packages for service repairs and assembly kits prohibitively expensive. In turn, they were concerned that these higher costs could lead fastener manufacturers to either stop selling fasteners in small packages or continue to offer them for sale but at a price so high that users might stop buying them and instead substitute lower quality, lower cost, “hardware store” fasteners. They believed that such substitution could result in fastener failures in end-users’ products and a decrease in public safety, rather than the improved public safety that the law intended.

As a result of these concerns, Congress amended FQA in 1999 to exempt from testing and recordkeeping those fasteners that are (1) ordered for use as a spare, substitute, service, or replacement part in packages containing 75 or fewer items or (2) contained in an assembly kit. We refer to both exemptions as the small-lot exemption, and it applies to fasteners manufactured on or after December 6, 1999.

However, Congress was also concerned that this exemption could allow manufacturers to sell substandard, untested fasteners in packages of 75 or fewer or as parts in assembly kits. This concern led Congress to include a provision in the 1999 FQA amendments requiring us to prepare a report not later than 2 years after its enactment, describing any changes in fastener industry practice “resulting from or apparently resulting from” the small-lot exemption. This report satisfies that requirement.

To perform our study, we (1) monitored U.S. Customs Service mechanical and chemical tests of fasteners imported in early 2001 and compared the results with similar tests performed by Customs in 1998; (2) had the Defense Supply Center Philadelphia (DSCP) send samples of fasteners purchased in small packages before and after December 1999 to Customs for testing and compared the results; (3) published a notice in the Federal Register on August 9, 2000 (see app. II), and on our Web site asking the public to provide any evidence of changes in industry practices; and (4) asked officials from federal agencies that use fasteners whether they had any evidence of industry changes. We conducted our review from January 2000 to May 2001, in accordance with generally accepted government...
auditing standards. A more detailed discussion of our objective, scope, and methodology is included as appendix I.

Results in Brief

We found no evidence that the fastener industry changed any practices resulting from, or apparently resulting from, the small-lot exemption. Customs’ limited tests of imported fasteners in 2001 found no evidence of substandard fasteners and no evidence of any decline in the quality of fasteners from the results of tests Customs conducted in 1998. Likewise, Customs’ 2001 tests of fasteners that DSCP purchased before and after December 1999 found that none were defective.

Similarly, responses to our Federal Register notice uncovered no evidence of changed practices resulting from the small-lot exemption. Further, officials from federal agencies that use fasteners stated that they had no evidence of industry changes.

Commerce officials stated that they had no substantive written comments to make on the report, but did provide technical comments, which we have incorporated as appropriate. Treasury officials similarly stated that they had no substantive written comments, but also provided technical comments, which we likewise incorporated as appropriate. Finally, Defense officials provided comments concurring in the report findings and providing technical comments, which we have incorporated as appropriate.

Background

Billions of fasteners are used in safety-critical applications such as buildings, nuclear power plants, bridges, motor vehicles, airplanes, and other products or equipment each year. For example, an automobile may have as many as 3,000 fasteners.

In 1988, the House Committee on Energy and Commerce’s Subcommittee on Oversight and Investigations issued a report on counterfeit and substandard fasteners that, along with hearings held by the House Science Committee, led to the enactment of FQA on November 16, 1990. The subcommittee reported that failures of substandard and often counterfeit fasteners may have been responsible for deaths and injuries, reduced defense readiness, and that they potentially threatened the safety of every American. According to the subcommittee report, the Defense Industrial
Supply Center,\(^3\) which supplies fasteners to the armed services, found that its inventory contained over 30 million counterfeit fasteners and that Army depots contained another 2.6 million. Similarly, the National Aeronautics and Space Administration (NASA) reported that it found substandard fasteners in space shuttle equipment, and six of its fastener vendors were found to have inadequate quality-control systems. The Air Force likewise discovered substandard flight safety-critical aerospace fasteners in its inventory.

FQA covers certain threaded, metallic, heat-treated fasteners of one-quarter inch diameter or greater for use in safety-critical applications. As originally enacted in 1990, FQA

- required manufacturers and importers to submit all lots of fasteners with significant safety applications to accredited laboratories for testing;
- established a laboratory accreditation program at the Commerce Department’s National Institute of Standards and Technology (NIST);
- required original test certificates to accompany the fasteners throughout the sale process;
- established requirements for manufacturers’ insignias to ensure traceability of fasteners to manufacturers and distributors; and
- provided for civil and criminal penalties for violations of the act.

Since its passage, FQA has been amended several times. Concerns over the regulatory burden of FQA on aviation manufacturers led Congress, in August 1998, to amend the act to exempt certain fasteners approved by the Federal Aviation Administration for use in aircraft.\(^4\) The 1998 amendments also delayed implementation of NIST’s regulations for accrediting testing laboratories.

FQA was amended again on June 8, 1999,\(^5\) to make it less burdensome:

- Fasteners that are part of an assembly or that are ordered for use as a spare, substitute, service, or replacement part in a package containing 75 or fewer parts at the time of sale or are contained in an assembly kit (i.e., the small-lot exemption) were exempted from coverage.

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\(^3\) Now the General and Industrial Directorate of the Defense Supply Center Philadelphia.

\(^4\) P.L. 105-234.

\(^5\) P.L. 106-34.
• Fasteners manufactured in a facility using quality-assurance systems were exempted from coverage.
• The amendment required accredited laboratory testing only of fasteners manufactured to consensus standards requiring testing, and postponed that requirement until June 2001.
• Companies were allowed to transmit and store electronically all records on fastener quality provided that reasonable means of authentication of the source of the document existed.
• The Commerce Department was required to establish and maintain a hotline for reporting alleged violations of the law. All credible allegations would then be forwarded to the Attorney General.

The amendment also made it unlawful to knowingly misrepresent or falsify the fastener’s record of conformance or identification, characteristics, properties, mechanical or performance marks, chemistry, or strength.

Although FQA does not mention Customs, Customs is authorized by 15 U.S.C. § 1125(b) to identify and detain imported goods marked or labeled with a false description or representation.\(^6\) Under this authority, Customs has conducted spot checks of imported fasteners since 1987 to determine if fasteners’ descriptions or representations are accurate. It has seven laboratories located around the country that provide scientific support to all Customs officers, other government agencies, and foreign governments as part of international assistance programs. Customs laboratories tested samples from randomly selected shipments of graded bolts\(^7\) imported from January through April 1998 in various sized lots and again in March and April 2001. These included one or more of the following tests: carbon, sulfur, phosphorous, alloying elements (chemical tests); or tensile strength and hardness (mechanical tests).

\(^6\) Customs regulations for this section are found in 19 C.F.R. § 11.13(a) and Part 134.

\(^7\) Grade markings identify a bolt’s material, strength, performance characteristics, and the standard to which it was manufactured. For example, grade 5 and grade 8 bolts are high-strength heat-treated fasteners manufactured to standards of the Society of Automotive Engineers.
Customs’ Limited Tests of Imported Fasteners Found No Evidence of Substandard Fasteners Imported After December 1999

Customs’ Chicago laboratory tested 66 randomly selected shipments of graded bolts (12 in small lots) imported during March and April 2001 and found that none were substandard. As discussed below, this is a decrease from results of tests that Customs did before December 1999.

Customs’ laboratories also tested a random sample of 77 shipments of graded bolts imported in various sized lots from January 12 to April 12, 1998, and found three (not in small lots) to be substandard. The bolts failed either the tensile or hardness test and were imported through Chicago from Korea or Taiwan. On the basis of these sample results, the Customs study estimated that 5 percent of the 3,097 shipments of the same type of bolts that entered U.S. ports during the 3-month test period were substandard.

In addition to testing graded fasteners imported in March and April 2001, Customs’ Chicago laboratory tested, at our request, samples of graded bolts from 15 small lots that DSCP had purchased between January 1998 and February 2001, and found that none were defective. Three lots were from contracts for purchases after December 1999 and the remainder were before this time. According to a DSCP official, there is no way to determine if the contractors used foreign or domestic materials. Because of the small number of lots tested, the results, by themselves, cannot be used to make any conclusions about industry changes in manufacturing small lots. These results are, however, the best data available on fasteners that DSCP purchased in small lots.

8 As of May 25, 2001, Customs had not yet completed laboratory tests on 74 samples.

9 We asked DSCP to test more than 15 samples so that the results would be representative of their inventory of bolts. However, for reasons explained in appendix I, this was not possible.

10 The date of manufacture was not known, so we used the date of purchase as a proxy for determining whether the bolts were subject to the small-lot exemption that applies to fasteners manufactured after December 1999.
Responses to *Federal Register* Notice

Uncovered No Evidence of Changes in Industry Practices

None of the 14 responses to our *Federal Register* notice stated that the fastener industry had changed any practices as a result of the small-lot exemption, as shown in the examples below.

The Industrial Fasteners Institute and the National Fastener Distributors Association said they believe that there will be no evidence of significant changes in industry practice because most fasteners sold under the small-lot exemption are produced under quality-assurance systems and are therefore not subject to the act. They further stated that since fastener manufacturers can comply with the test requirements in the amended act in a cost-efficient manner, it is doubtful that industry members would attempt to avoid these costs by marketing fasteners in small-lot packages.

The Canadian Fasteners Institute said that in the last decade, the fastener industry has made great advances and investments in product quality control and assurance. It said that the concern with the small-lot exemption stems from its potential for creating a public safety hazard and that the opportunity for the emergence of substandard products in commerce is too great a risk with the small-lot exemption in place. It suggested that, in lieu of any exemptions, FQA be amended to say that the manufacturer, distributor, or importer that sells fasteners as having certain mechanical and physical properties must be capable of substantiating those properties. That is, promises a seller makes to a buyer must be verifiable with objective evidence.

The Alliance of Automobile Manufacturers and the Association of International Automobile Manufacturers (AIAM) said that their members produce virtually all the passenger cars and light trucks sold in the United States and use 300 billion fasteners annually. They reported that Congress exempted most automotive fasteners from FQA because strong incentives exist to enhance fastener quality, given the potential impact of faulty fasteners on customer satisfaction, product liability, and regulatory liability. They said that manufacturers have developed various measures, as follows, to assure the quality of the fasteners that they purchase:

**Proprietary standards**—Vehicle manufacturers have developed their own fastener standards to assure that their fasteners are appropriate for specific applications.

**Quality-assurance systems**—Vehicle manufacturers generally require that their fastener suppliers be certified under fastener quality-assurance systems to minimize the occurrence of nonconforming fasteners.
Closed-loop acquisition—Vehicle manufacturers generally purchase their fasteners from approved suppliers to assure quality and accountability, and rarely purchase generic fasteners on the open market.

The Alliance and AIAM said that they surveyed their members to obtain responses to the questions contained in our Federal Register notice. They said that the responses they received represented over 90 percent of U.S. light vehicle sales in calendar year 1999. None of the respondents reported any significant changes in procurement and packaging practices that involved a reduction in units per package to below 75 units, or an increase in the use of assembly kits as a means of complying with the FQA requirements through the small-lot exemption.

The Alliance and AIAM said that on the basis of these survey results, virtually all of the fasteners produced to assemble or service members’ products are either manufactured to internal company proprietary standards or are produced under a qualifying fastener quality-assurance system, or both. As a result, they said much less than 1 percent of fasteners purchased are exempt from FQA solely through the small-lot exemption.

These groups reported that the small-lot exemption still serves a very important purpose: to allow the continued availability, at an affordable price, of many spare-part fasteners required to service their members’ products in a safe manner. The majority of these small package/assembly kit fasteners are used to service older models that typically have very low annual sales of spare parts. Without this vital exemption, they report, the costs of such parts would become prohibitive, forcing their members to remove many of these products from the market. In such a case, they believe, the customer desiring to service his or her car would typically be forced to substitute the correct-specification fastener with a generic hardware store look-alike fastener, one that in all likelihood was manufactured to different specifications and uncertain quality standards.

The Equipment Manufacturers Institute, an association of companies that manufacture agricultural, construction, forestry, materials-handling, and utility equipment, reported that its members want the small-lot exemption to remain in law. They are concerned that altering or removing it could result in burdensome paperwork and wasteful and unnecessary quality tests for fasteners that are commonly used for the off-road equipment industry. They said this would result in large nonvalue-added costs that would ultimately be borne by the consumer and reduce America’s global
competitiveness and cost jobs. Additionally, they stated, fastener quality has not been a problem for its industry, and remains that way today.

Other comments received included the following:

- The director of quality assurance at Huck Fasteners, Inc., said that he had surveyed his eight manufacturing facilities and found no changes in how fasteners are packaged as a result of FQA.
- A fastener manufacturer’s representative said that he had not seen any changes in industry practices as a result of the small-lot exemption, and that all the manufacturers and distributors he knows are in compliance.
- The president of Edward W. Daniel Co., a manufacturer of industrial lifting hardware and a member of the National Fastener Distributors Association, said that most manufacturers/importers of fasteners have developed quality programs and maintain the appropriate records for tracing the manufacturing materials used.

None of the officials that we spoke with in DSCP or NASA reported any evidence of changes in fastener industry practices resulting from, or apparently resulting from, the small-lot exemption. DSCP officials reported that their agency requires prospective suppliers of fasteners to have a quality-assurance system. Likewise, officials from the Departments of Commerce and Justice, agencies that have specific responsibilities under FQA, stated that they did not have any evidence of changes in fastener industry practices.

DSCP did not report any changes in industry practices. It operates a program that requires both manufacturers and distributors who want to sell to it to be prequalified. According to the agency Web site, applicants for the program must demonstrate their controls and established criteria to provide maximum assurance that the products procured conform to specifications. In addition, DSCP tests certain product lines, such as aerospace products, and randomly selects products for testing on a regular basis from its inventory. DSCP officials said that they manage approximately 1.2 million items, of which about 300,000 are fastener products and about 10 percent are covered under FQA.
None of NASA’s nine centers\(^\text{11}\) reported any changes in industry practices as a result of the small-lot exemption.

NIST officials responsible for FQA said that, as of March 31, 2001, they have not received any reports that the fastener industry has changed any practices as a result of the small-lot exemption. Similarly, officials from the Bureau of Export Administration reported that, as of March 30, 2001, their fraud hotline, which became operational on June 27, 2000, had not received any allegations that relate to the small-lot exemption.

Officials at the Department of Justice said that the 1999 amendments to FQA were so new that neither its criminal nor civil divisions had any activity involving fasteners. Additionally, they said, they were not aware of any prosecutions or convictions involving fasteners sold in packages of 75 or fewer or in assembly kits since December 1999.

We found no evidence that the fastener industry has changed any practices resulting from, or apparently resulting from, the small-lot exemption.

We provided a draft of this report to the Secretary of Commerce, the Secretary of Treasury, and the Secretary of Defense for review and comment.

In a June 4, 2001, letter, the Secretary of Commerce stated that the relevant bureaus of the Department of Commerce had reviewed the report and had no substantive comments (see app. III). Other Commerce staff provided technical comments on the draft report, which we incorporated as appropriate. In a May 23, 2001, memorandum, the Director, Office of Planning, U.S. Customs Service stated that he had no substantive comments to make (see app. IV). Other U.S. Customs staff provided technical comments on the draft report, which we also incorporated as appropriate. The Department of Defense provided comments, concurring in the report’s findings and providing technical comments on the draft report, which we incorporated as appropriate.

\(^{11}\) Ames Research Center, Glenn Research Center, Goddard Space Flight Center, Jet Propulsion Laboratory, Lyndon B. Johnson Space Center, John F. Kennedy Space Center, Langley Research Center, George C. Marshall Space Flight Center, and John C. Stennis Space Center.
We are sending copies of this report to the Secretary of Commerce; the Secretary of the Treasury; the Secretary of Defense; and the Administrator, National Aeronautics and Space Administration. Copies will also be available at our Web site at www.gao.gov.

Should you have any questions on matters contained in this report, please contact me at (202) 512-6240 or Alan Stapleton, Assistant Director, at (202) 512-3418. We can also be reached by e-mail at koontzl@gao.gov or stapletona@gao.gov, respectively. Other key contributors to this report included David Plocher and Theresa Roberson.

Linda Koontz  
Director, Information Management Issues
As stated in FQA, our objective was to determine if there had been any changes in fastener industry practice “resulting from or apparently resulting from” the small-lot exemption in FQA. To achieve this objective, we compared the results of Customs’ mechanical and chemical tests of bolts imported during March and April 2001 with the results of similar testing performed by Customs for bolts imported from January through April 1998.

These tests had several limitations. According to Customs officials, the document that an importer provides for each shipment of fasteners does not have to identify that the shipment contains packages of 75 or fewer fasteners (i.e., small lots) or that the fasteners are of a particular grade. Therefore, for both the 1998 and 2001 tests, Customs could not randomly select just those shipments containing small lots of grade 5 and grade 8 fasteners. Rather, the selection also included ungraded fasteners that were not sent to the laboratory for testing because, without the grade marking, Customs could not identify the test standards. For the 2001 test, Customs recorded when the package selected contained 75 or fewer graded bolts so we could compare their test results with those for packages containing more than 75 bolts. We observed Customs’ inspection of imported fasteners at Chicago’s O’Hare International Airport; we also visited Customs’ Chicago laboratory and observed its testing of some of the selected fasteners.

Another limitation was that Customs designed both its 1998 and 2001 studies to only randomly select shipments valued at $2,500 or more so that resources were not spent on small, inconsequential shipments. However, problems during the 1998 study caused over 28 percent of the shipments selected to be valued at less than $2,500. These included 80 shipments valued at less than $500 and at least one valued at $1. Based on the price of grade 5 and grade 8 bolts, it is likely that some of the 80 shipments valued at less than $500 included in the 1998 test were in small lots.

To address our objective, we also compared the results of Customs’ mechanical and chemical tests of fasteners DSCP purchased in small lots from January 1998 to December 1999 with the results of Customs’ mechanical and chemical tests of fasteners DSCP purchased from January 2000 to January 2001. We selected DSCP because of its problems in the 1980s with counterfeit fasteners. We asked DSCP to send the samples directly to Customs for testing.

There were limitations in DSCP’s selection of the samples. DSCP officials initially identified 56 different contracts for small-lot purchases for
potential testing, yet only 15 lots were ultimately tested. DSCP officials
decided that 15 of the 56 contracts were ineligible for testing because the
lot size was fewer than 25 bolts; thus, taking several bolts for testing could
result in DSCP’s not being able to fill a customer’s order. Officials further
said that 25 small-lot purchases were not tested because no inventory
remained at the time the depots were asked to ship the bolts to Customs’
laboratory. Finally, one sample sent to Customs for testing was not
traceable to a contract number, and so it was eliminated from the test
results.

To give the public an opportunity to report any changes in industry
practices, we published a notice in the Federal Register on August 9, 2000
(F.R. 48714), and on our Web site, asking for comments no later than
November 30, 2000. We also notified nearly 60 journals, newsletters,
associations, and manufacturers of our Federal Register notice. As a
result, several journals (e.g., Fastener Industry News and Wire Journal
International) wrote articles about our study that often referred readers
who wanted more information to our Federal Register notice or Web site.
We also asked associations representing the fastener industry and the
automobile industry to notify their memberships about our Federal
Register notice and Web site notice.

We asked officials at agencies that had experienced problems with
fasteners in the past (DSCP and NASA) and NIST (with responsibilities
under FQA) if they were aware of any changes in industry practices
resulting from, or apparently resulting from, the FQA small-lot exemption.

In addition, we asked officials at Commerce’s Bureau of Export
Administration whether they had received any FQA allegations involving
small lots of fasteners and officials in the Department of Justice about any
allegations, investigations, prosecutions, or convictions involving fasteners
sold in small lots or in assembly kits.

We also attempted to compare the results of NASA’s tests of grade 8
fasteners purchased by its Langley Research Center before and after
December 1999. However, there were too few mechanical and chemical
tests completed to make this comparison possible.

We conducted our review from January 2000 to May 2001, in accordance
with generally accepted government auditing standards. We performed our
Appendix II: Federal Register Notice

**Federal Register**

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**FEDERAL RESERVE SYSTEM**

**Sunshine Act Meeting**

Agency Holding the Meeting:

Board of Governors of the Federal Reserve System.

**TIME AND DATE:** 11 a.m., Monday, August 14, 2000.

**Place:** Marriner S. Eccles Federal Reserve Board Building, 20th and C Streets, N.W., Washington, D.C. 20551.

**STATUS:** Closed.

**MATTERS TO BE CONSIDERED:**

1. Personnel actions (appointments, promotions, assignments, reassignments, and salary actions) involving individual Federal Reserve System employees.

2. Any items carried forward from a previously announced meeting.

**CONTACT PERSON FOR MORE INFORMATION:** Lynn S. Fox, Assistant to the Board; 225-452-3324.

**SUPPLEMENTARY INFORMATION:** You may call 202-452-3324 beginning at approximately 5 p.m. two business days before the meeting for a recorded announcement of bank and bank holding company applications scheduled for the meeting, or you may contact the Board’s Web site at http://www.federalreserve.gov for an electronic announcement that not only lists applications, but also indicates procedural and other information about the meeting. Dated: August 4, 2000.

Robert deV. Fritson,

Associate Secretary of the Board.

[FR Doc. 00-20114 Filed 8-8-00; 8:45 am]

**BILLING CODE 6710-01-P**

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**GENERAL ACCOUNTING OFFICE**

**Fastener Quality Act Amendments Act of 1999:** Statutorily Required Study

**AGENCY:** General Accounting Office.

**NOTICE OF INQUIRY:** request for comments.

**SUMMARY:** The General Accounting Office is requesting interested parties to provide information for a report to Congress on any changes that manufacturers, importers, distributors, or retailers of fasteners have made as a result of the "small lot" exemption clause of the Fastener Quality Act Amendments Act of 1999 (FQAAA).

Fasteners include metallic screws, nuts, bolts, studs, or low-indicating washers, and manufacturers, importers, distributors and retailers make up the fastener industry. The FQAAA exempts those fasteners that are "a part that is ordered for use as a spare, substitute, service, or replacement part, unless that part is in a package containing more than 75 of such part at the time of sale, or a part that is contained in an assembly kit." We refer to both of these exemptions as the "small lot" exemption. The FQAAA requires GAO to submit a report to Congress "describing any changes in industry practice resulting from or apparently resulting from" the enactment of the small lot exemption; we expect to use information from your comments in this report.

**DATES:** Comments must be received by November 30, 2000.

**ADDRESSES:** Send a copy of any comments or examples of changes in industry practice to the U.S. General Accounting Office, General Government Division, Room 2008, 441 G St., NW., Washington, DC 20548, Attention: Ms. Theresa Roberson. Submit electronic comments and other data to fasteners@gao.gov. See SUPPLEMENTARY INFORMATION for file formats and other information about electronic filing.

**FOR FURTHER INFORMATION CONTACT:** Theresa Roberson, 202-512-3431, e-mail: robersont@gao.gov, or Al Stapleton, 202-512-3410, e-mail: stapletona@gao.gov.

**SUPPLEMENTARY INFORMATION:** Metallic screws, nuts, bolts, studs or load-indicating washers are collectively known as fasteners. Sec. 301(b)(2) of the Fastener Quality Act Amendments Act of 1999 (FQAAA), Pub. L. 106-34, amended the Fastener Quality Act (FQA), Pub. L. 101-526, by adding the small lot exemption quoted above.

Congress was concerned that the small lot exemption created a potential loophole for members of the fastener industry to circumvent the law’s requirements, and sell unsafe fasteners either in packages of 75 or fewer or in assembly kits. This concern led Congress to include sec. 12 in the FQAAA, requiring GAO to prepare a report to Congress describing any changes in fastener industry practice "resulting from or apparently resulting from" the small lot exemption. The report is to be issued not later than 2 years after enactment of the FQAAA, June 8, 2001. This notice asks interested parties to provide information on any changes in fastener industry practice resulting from or apparently resulting from the small lot exemption. We expect to use information from your comments in our report.

**Background:** In the late 1980s, congressional hearings showed that poor quality or mislabeled fasteners might have posed a threat to public safety. The Defense Supply Center (DSC), which supplies fasteners to the armed services, found its inventory contained over 30 million "bogus" fasteners and Army depots contained another 2.6 million counterfeit fasteners. Similarly, the National Aeronautics and Space Administration (NASA) found substantial fasteners in space shuttle equipment and six of its fastener vendors were found to have inadequate quality control systems.

As a result of the evidence presented at these hearings, Congress enacted the FQA in 1990. This law imposes a number of requirements on manufacturers, distributors, importers, and others that make and sell fasteners. To prevent unsafe fasteners from entering the U.S. market, the law requires persons who manufacture and sell fasteners covered by the Act to, among other things, ensure that their library meet applicable standards and specifications through laboratory testing. The Secretary of Commerce has overall responsibility for the law. Within Commerce, the National Institute of Standards and Technology (NIST) is responsible for implementing regulations and for accrediting testing laboratories, and the Bureau of Export Administration (BEXA) is responsible for enforcing the law. Major concerns over
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GAO-01-719
The Fastener Quality Act

this law's potential burden on the fastener industry delayed the
Department of Commerce's implementation of final regulations for
nearly a decade.

A manufacturer's costs for laboratory testing—or a per fastener basis—
Increase as the quantity of fasteners sold decreases. For example, fasteners sold
or imported in lots of 100 will have a higher per-fastener cost for testing then
lots of 1,000 or 10,000. Concurrently, high testing costs for small lots led
Congress to amend the FQA in 1999 to exempt from testing those fasteners that
are ordered for use as spares, substitute, repair, or replacement parts in
packages containing 75 or fewer items, or parts contained in assembly kits. We
refer to both exemptions as the "small lot" exemption.

The small lot exemption was included in the 1999 amendments to the FQA in
response to concerns from industries that use fasteners, particularly foreign
automobile manufacturers. Those users were concerned that fastener
manufacturers' compliance costs for laboratory testing and recordkeeping
could make fasteners purchased in small lots for service repairs and
assembly kits prohibitively expensive if they were subject to testing.

requirements of the FQA. In turn, these higher testing costs could lead fastener
manufacturers either to stop selling fasteners in small lots or to continue
offering them for sale but at a price high that users might stop buying them
and instead substitute lower quality, lower cost, "hardware store" fasteners.
Such substitutions could result in fastener failures in the end-users' products
and weakening public safety rather than improving public safety as the law
intended.

Congress was concerned that the small lot exemption created a potential
loophole for fastener manufacturers to circumvent the FQA's requirements.
This concern led Congress to include sec. 12 in the FQA.1a requiring the DCM to
prepare a report to Congress describing "any changes in industry practice
resulting from or apparently resulting from" the small lot exemption.

Changes in Treatment of Small Lot Sought

Two potential types of changes in industry practice as a result of the small
lot exemption are: (1) Increased marketing, distribution, and sale of unsafe,
properly labeled fasteners manufactured after December 6, 1999, in packages
of 75 or fewer or in an assembly kit to avoid the costs of complying with the
Act as exemplified by larger lots; and (2) increased marketing, distribution, and
sale of poor quality, unsafe, or mislabeled fasteners manufactured after
December 6, 1999, in packages of 75 or fewer or in an assembly kit to
comply with the testing requirements in the Act that would expose the
mislabeling. For example, a manufacturer could use less expensive raw
materials or perform tests less frequently for fasteners meeting the small lot exemption.

For example, if a farm equipment
company routinely bought fasteners from a particular manufacturer in
packages of 500 but after December 6, 1999, could only buy those fasteners in
packages of 75 or fewer, then we would like the farm equipment company to
report this change in fastener industry practice to us. As another example, if a
railroad company routinely bought assembly kits from a particular manufacturer that contained safe,
properly labeled fasteners but after December 6, 1999, those assembly kits contained unsafe or mislabeled
fasteners, then we would like the railroad company to report this change in fastener industry practice to us.

For these and other examples in which an interested party believes that
a manufacturer or supplier has changed due to the small lot exemption, we
would like: (1) A complete description as possible of the practice
before and after December 6, 1999; (2) the change in practice appears to
be related to the small lot exemption as opposed to other factors; (3) whether
the change involved was manufactured before or after December 6, 1999; (4) any
data or references to sources of data that
would provide evidence of how widespread such changes in industry
practice may be; and (5) the name and phone number of a person we can
contact for additional information or clarification. We are seeking to obtain
broad input from any interested party, including those in the government
procurement community, the fastener industry (manufacturers, importers,
distributors, retailers), companies large and small that purchase fasteners to
assemble various products, and private individuals.

Our report is to be issued not later than 2 years after the enactment of the
1999 amendments to the FQA, June 8, 2001.

Types of Fasteners Covered by the Act

The following questions will help interested parties identify only those
to changes in industry practice that
involve fasteners that fall within the small lot exemption. Some of the
information may be found on the
government quality assurance system (such as iso 9000) in accordance
with the opinions of the CFR.

12. Is the fastener manufactured under a fastener quality assurance system (such as iso 9000) in accordance
with the opinions of the CFR?

13. Is the fastener manufactured only to a proprietary standard?

If you answered "NO" to ALL of questions 8 through 11, continue to question 12 and 13. Otherwise STOP,
because any changes in fastener industry practice related to those fasteners are not to be included in the
GAO report.

12. Is the fastener for use as a spare, substitute, service, or replacement part and in a package of 75 or fewer at
the time of sale? Continue to question 13.

13. The fastener is used by the Government or any high order of the requirements in questions 12 or 13; answer questions 14 and 15
because any changes in industry practice related to these fasteners fall
within the small lot exemption.
Appendix II: Federal Register Notice

14. Can you determine the date the fastener was manufactured? (If yes, notify GAO of the date.)
15. Have there been any changes in fastener industry practice resulting from or apparently resulting from the small lot exemption? (Report all such changes in industry practice to the GAO address above.)

Document Submission
Do not send original documents, including photographs or graphics, in the mail because they cannot be returned.

Electronic Access and Filing
This notice is available on GAO’s website at http://www.gao.gov under the Fastener Quality Act Amendments Act of 1999.

You may submit comments and data by sending electronic mail (email) to: fasteners@ga.gov. Please include the name and phone number of the person we should contact for clarification or additional information.

Email messages are encouraged but attachments to email messages are discouraged because of the possibility of transmitting computer viruses. If you believe such attached files are necessary to provide the requested information, please send them in ASCII or Microsoft Word format. No graphics should be sent through email, but copies of graphics may be sent to the address in the ADDRESSES section at the beginning of this document.


Date: August 6, 2000.

Michael Bresnick,
Associate Director, General Government Division.

[FR Doc. 00-20973 Filed 8-8-00; 8:45 am]
BILLING CODE 5160-42-P

GENERAL SERVICES ADMINISTRATION
Notice of Intent To Prepare an Environmental Impact Statement
The United States General Services Administration intends to prepare an Environmental Impact Statement (EIS) on the following project:
U.S. Courthouse
Los Angeles, California

Proposed Action: The United States General Services Administration is planning the construction of a new U.S. Courthouse in downtown Los Angeles, California. The building will house the U.S. Courts and other Court related agencies currently located in various facilities.

Alternative to the proposed action include:
A. Construction of new facility on the site located within downtown Los Angeles and comprised of a full city block bounded by Temple Street, North Spring Street, West First Street, and North Broadway.
B. Construction of a new facility on the site located within downtown Los Angeles and comprised of a full city block bounded by West First Street, South Broadway, West Second Street, and South Hill Street. This action may entail demolition of existing structures.
C. Construction of a new facility on the site located within downtown Los Angeles and comprised of a full city block bounded by West First Street, South Olive Street, West Second Street, and South Grand Avenue. This action may entail demolition of existing structures.

No action: Space for the U.S. Courts' functions will continue to be provided in the current facilities. The impact to the community of maintaining the status quo will be analyzed.

The public is cordially invited to participate in the scoping process, review of the draft Environmental Impact Statement, and the public meeting. The scoping meeting will be held at the Los Angeles Downtown Marriott Hotel, located at 333 South Figueroa Street, Los Angeles, California, on Thursday, August 31, 2000 from 5:00 p.m. to 7:30 p.m.

At the scoping meeting, the public will be asked to identify any significant issues that they believe should be analyzed in the Environmental Impact Statement.

Release of the draft EIS for public comment and the public meeting will be announced in the local newspaper, as those dates are established.

For further information contact:
Javad Soltani, General Services Administration, Portfolio Management Division (67T), 450 Golden Gate Avenue, San Francisco, California 94102. (415) 522-3493, Fax: (415) 522-3515. Email: javad.soltani@gsa.gov.

Date: July 31, 2000.

Javad Soltani,
Asset Planner.

[FR Doc. 00-20964 Filed 8-4-00; 8:45 am]
BILLING CODE 5160-33-M

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Food and Drug Administration
Request for Nominations for Nonvoting Representatives of Consumer Groups on Public Advisory Panels or Committees

AGENCY: Food and Drug Administration, HHS.

ACTION: Notice.

SUMMARY: The Food and Drug Administration (FDA) is requesting nominations for nonvoting consumer representatives and nonvoting industry representatives to serve on certain device panels of the Medical Devices Advisory Committee in the Center for Devices and Radiological Health (CDRH). Nominations will be accepted for current vacancies and for those that will or may occur through July 31, 2001. FDA has a special interest in ensuring that women, minority groups, individuals with disabilities, and small businesses are adequately represented on advisory committees and, therefore, encourages nominations for appropriately qualified candidates from these groups, as well as nominations from small businesses that manufacture medical devices subject to the regulations.

DATES: Nominations should be received by September 8, 2000, for vacancies listed in this notice.

ADDRESSES: All nominations and curricula vitas (which includes nominee's office address, telephone number, and e-mail address) for consumer representatives should be submitted in writing to Mary C. Wallace (address below). All nominations and curricula vitas (which includes nominee's office address, telephone number, and e-mail address) for industry representatives should be submitted in writing to Kathleen L. Walker (address below).

FOR FURTHER INFORMATION CONTACT: Regarding consumer representatives: Mary C. Wallace, Office of Consumer Affairs (HFA-3), Food and Drug Administration, 5600 Fisher's Lane, Rockville, MD 20857, 301-427-4406, e-mail: MWALLACE238@CDA.FDA.GOV. Regarding industry representatives: Kathleen L. Walker, Office of Systems and Management (HFA-17), Food and Drug Administration, 2018 Gauthier Rd., Rockville, MD 20850, 301-594-1293, ext. 114, e-mail: KWL@OCSM.FDA.GOV.

SUPPLEMENTARY INFORMATION: FDA is requesting nominations for nonvoting
Ms. Linda Koontz  
Director, Information Management Issues  
General Accounting Office  
441 G Street, NW, IT Room 4482  
Washington, D.C. 20548

Dear Ms. Koontz:

Thank you for the opportunity to review GAO’s draft report entitled, “The Fastener Quality Act’s Small Lot Exemption.” The relevant bureaus of the Department of Commerce have reviewed the report, and we have no substantive comment. My staff will submit their technical comments under separate cover.

Warm regards,

Donald L. Evans
Appendix IV: Comments From the U.S. Customs Service

U.S. Customs Service

Memorandum

DATE: May 23, 2001
FILE: AUD-1-OP SMT

MEMORANDUM FOR JOEL WILLEMSSEN
MANAGING DIRECTOR, INFORMATION TECHNOLOGY ISSUES

FROM: Director, Office of Planning

SUBJECT: GAO Draft Report Entitled "Department of Commerce: The Fastener Quality Act's Small Lot Exemption"

Thank you for providing us with a copy of your draft report entitled "Department of Commerce: The Fastener Quality Act's Small Lot Exemption" and the opportunity to discuss the issues in this report.

We have reviewed the draft report and have no substantive comments to make.

If you have any questions, please have a member of your staff contact Ms. Sandy Manuel at (202) 927-2096.

William J. Riley

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