

GAO

Report to the Chairman, Subcommittee
on Oversight of Government
Management, Committee on
Governmental Affairs, U.S. Senate

July 1993

PROPERTY DISPOSAL

DOD Is Handling Large Amounts of Excess Property in Europe





**United States
General Accounting Office
Washington, D.C. 20548**

**National Security and
International Affairs Division**

B-253177

July 30, 1993

The Honorable Carl Levin
Chairman, Subcommittee on
Oversight of Government Management
Committee on Governmental Affairs
United States Senate

Dear Mr. Chairman:

This report responds to your request that we review how the Department of Defense (DOD) is handling the equipment and supplies becoming excess in Europe due to force reductions. As agreed, we looked at (1) the military services' and the Defense Reutilization and Marketing Offices' (DRMO) handling of the excess property and the amount involved and (2) the problems DOD is encountering in handling the property.

Background

Due to the end of the Cold War, the United States is drastically decreasing the number of military personnel stationed in Europe. On September 30, 1990, before the drawdown of forces began, the United States had 310,800 military personnel stationed in Europe. By March 31, 1993, the number of U.S. military personnel in Europe had been decreased to 172,800, and this level was expected to be reduced to 109,000 by 1996. Table 1 shows the number of military personnel by service since September 1990 and the number predicted for 1996.

Table 1: U.S. Military Personnel in Europe by Service

| | 9/30/90 | 9/30/91 | 9/30/92 | 3/31/93 | 9/30/96 ^a |
|--------------|----------------|----------------|----------------|----------------|----------------------|
| Army | 213,000 | 201,800 | 125,900 | 105,000 | 65,000 |
| Air Force | 83,500 | 70,600 | 57,600 | 54,700 | 34,000 |
| Navy | 14,300 | 14,300 | 13,000 | 13,100 | 10,000 |
| Total | 310,800 | 286,700 | 196,500 | 172,800 | 109,000 |

^aThese amounts are projections.

The drawdown of forces has resulted in excess property (equipment and supplies) in Europe. DOD follows established procedures for the disposition of this property. If the property is usable, DOD first tries to fill other requirements in Europe. If DOD has no requirements for the property in Europe, the property may be sent to units or depots worldwide, given to North Atlantic Treaty Organization allies, or sold or transferred to other

countries under the excess defense articles program. If the services cannot dispose of the property in one of these ways, they turn the property in to DRMOS located throughout Europe. These offices reutilize, transfer, donate, or sell the property. If the property is unusable, it is sold as scrap or, in limited cases, abandoned or destroyed.

Results in Brief

The drawdown of forces in Europe has resulted in over 1 million short tons¹ of excess property with acquisition values totaling billions of dollars. The property includes typewriters, furniture, ammunition, and major end items, such as wheeled and tracked vehicles. The majority of the property is from Army bases. Each service has established a method to deal with the excess equipment and supplies due to the drawdown. Between October 1989 and February 1993, DRMOS in Europe have received \$4.7 billion of excess equipment and supplies. These offices have revised their procedures to accommodate the additional excess equipment and supplies that the services have turned in to them since the drawdown began.

DOD lacks a systematic means of sharing information on some excess property at the installation level. Thus, the property is returned to the wholesale level² or is sent to disposal, which is causing problems in the efficient drawdown of equipment and supplies within the Army and among the services. For example, Army units are turning in items to DRMOS that are needed by other Army units or the other services. If needed items are sold through the disposal process, they are sold at an average sales price of only about 2 percent of acquisition cost. Other problems DOD has encountered include insufficient funding and personnel and changing force levels and requirements.

Military Services' Handling of Excess Property

We were not able to obtain complete information on the specific amount of excess equipment and supplies due to the drawdown. As the drawdown goes on, the military services continually identify excess property. The Army has the largest reduction in forces, and the Army has the most excess ammunition, equipment, supplies, and other property. Moreover, the Army is eliminating most of its stockpile of war reserve stocks because

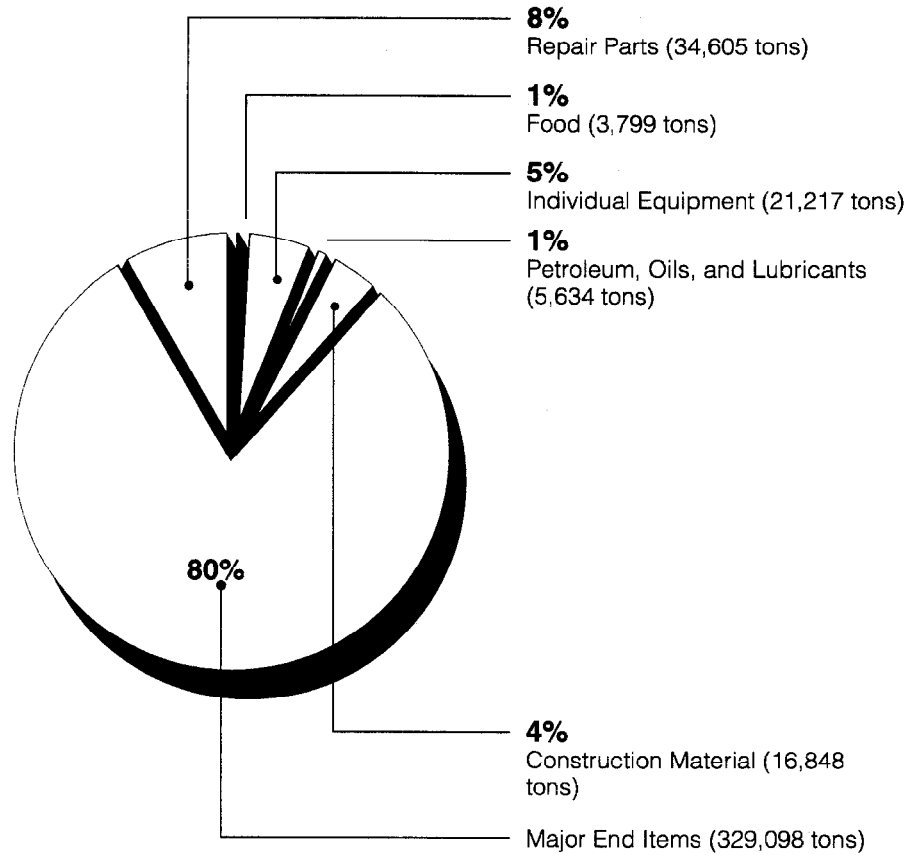
¹A short ton is 2,000 pounds.

²The Army's supply system consists of two major categories—wholesale and retail. The wholesale level is comprised of National Inventory Control Points and related depots that determine requirements and buy, store, and issue items. The retail level is responsible for computing requirements, requisitioning, storing, and issuing items to user units.

it was intended to support a protracted war in Europe and thus is no longer needed. As of October 1992, the U.S. Army, Europe, had identified about 1 million short tons of property that was excess to theater needs and required disposition due to the downsizing of forces, the reduced need for repositioning of material, and the elimination of the Army's stockpile of war reserve stocks.³ Excess equipment and supplies at Army reserve storage sites comprise about 77 percent of this material, which consisted of 411,201 short tons of equipment and supplies (see fig. 1) and about 373,000 short tons of ammunition. The remaining 23 percent, 239,799 short tons, is mostly from deactivating Army units.

³The Army's stockpile of war reserve material in central Europe was valued at \$5.8 billion in April 1991. However, we were not able to obtain a dollar estimate of the tons of excess property at reserve storage sites at the time of our review.

Figure 1: Equipment and Supplies Stored at the Army's Reserve Storage Sites in Europe as of October 1992



Note: Percentages do not add up to 100 due to rounding.

Source: 21st Theater Army Area Command.

In addition to the 1 million tons of excess property, the Army is reducing the number of 1,000-bed hospitals that were stored for contingency purposes.⁴ As of February 1993, two of these hospitals with a total cost of \$30.6 million were donated to foreign countries under the humanitarian assistance program, and three others with a total cost of \$36 million were awaiting shipment under the program. Army medical officials told us that

⁴These hospitals are stored in modules and can be moved to locations where they are needed.

from September 1, 1991, to September 30, 1992, the amount of excess medical property increased from about \$24 million to about \$45 million. These figures included excesses due to deactivating units, normal operations, and Operations Desert Shield and Desert Storm.

The Air Force has excess equipment and supplies from bases that are closing or downsizing as well as excess war reserve material. The excess equipment and supplies from bases include base-funded property (e.g., typewriters, housing furniture, and appliances) and depot-funded property (e.g., small arms, weapon systems support equipment, and test sets). We were unable to obtain data on the total quantity of either type of property being declared as excess because special project codes were not established specifically to identify property from base closures or downsizing. For depot-funded property, the Air Force Materiel Command liaison for the U.S. Air Forces in Europe did some tracking of the items, including the value of property sent to DRMOS. In January 1993, the liaison processed 1,085 items of equipment and supplies that were excess to requirements. As previously stated, information on the value of the items that were redistributed Air Force-wide was not readily available. However, during that month, equipment and supplies that were excess to the Air Force's needs and sent to DRMOS were valued at over \$400,000.

The Air Force is also redistributing excess medical war reserve material in Europe valued at about \$120 million, according to an official of U.S. Air Forces in Europe. This material consists mostly of eight hospitals (stored for contingencies), which range in size from 500 to 1,500 beds, and related medical equipment and supplies. In January 1993, U.S. Air Forces in Europe estimated that \$25 million of medical property would be redistributed within the Air Force to fill valid war reserve shortages at other bases. The Air Force planned at that time to make the remaining \$95 million of excess medical equipment and supplies available for other DOD activities and for donation under the humanitarian assistance program and send any remaining items to DRMOS. In March 1993, Air Force officials estimated they were planning for the redistribution of about 80,000 short tons of munitions valued at \$783.6 million to other Air Force units in Europe and the United States.

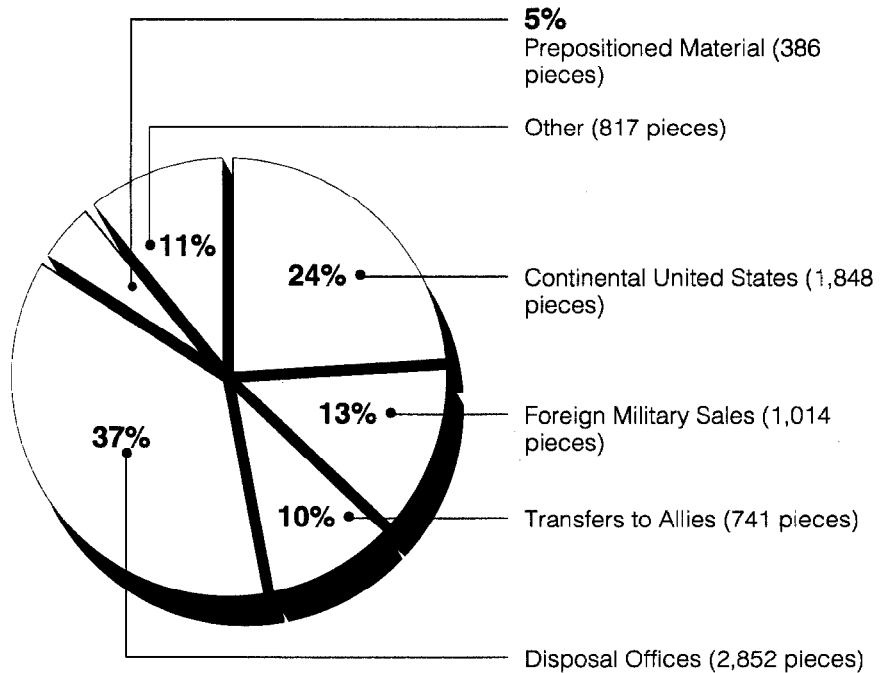
The Navy is primarily redistributing excess war reserve material. According to officials from the U.S. Naval Forces, Europe, other types of equipment and supplies that become excess as naval stations close are either redistributed to other stations throughout Europe, sent back to naval stations in the United States, or sent to DRMOS. Further, the Navy

leases family housing units from the host government, which are returned when a naval activity leaves Europe. The U.S. Naval Forces, Europe, does not maintain detailed data on the quantity and value of property that is excess to a naval station's needs, according to U.S. Naval Forces, Europe, officials. The Navy's war reserve material consists of ammunition and fuel to support existing naval ships stationed in Europe during peacetime as well as ships from the United States during wartime. The U.S. Naval Forces, Europe, closed two depots that stored fuel, which resulted in a reduction of approximately 2 million barrels in stored fuel as of November 1992.

Each service has established a method to deal with the excess equipment and supplies due to the drawdown. The U.S. Army, Europe, in coordination with item managers, provides instructions to units on what to do with excess major end items and individual equipment, except medical supplies. The Army's method of handling excess property is to (1) identify excess equipment and supplies, (2) classify the condition of the equipment, (3) determine the end user, and (4) move property to the end user. The Army generally redistributes equipment in the following order: U.S. Army, Europe; worldwide U.S. Army active and reserve components; sale or transfer of excess defense articles to other countries; and DRMOS. To redistribute excess property needed in Europe, the Army developed an equipment redistribution model, which deals with reportable individual equipment (such as tools) and major end items, such as wheeled and tracked vehicles. This model is an automated means of taking unit property book equipment⁵ and redistributing it within the European theater. Army logistics officials in Europe said that the amount of equipment sent to the United States depended on the funding and personnel available. Property is also used to fill prepositioning and other needs. Figure 2 shows how the Army redistributed wheeled and tracked vehicles and trailers (other than those redistributed in Europe) from October 1992 to January 1993.

⁵Unit property book equipment consists of major pieces of equipment that units keep track of in their records. Other equipment is not tracked in property books and thus not covered by the redistribution model.

Figure 2: Disposition of Wheeled and Tracked Vehicles and Trailers From October 1992 to January 1993



Source: 21st Theater Army Area Command.

The U.S. Air Forces in Europe has developed a general base closure plan. Each base uses this plan to establish those actions and procedures required for closure or drawdown, including the disposition of property located at its base. Redistribution of excess equipment and supplies, especially war reserve material, is directed first by the command to satisfy in-theater requirements. After intra-command redistributions, centrally managed items are reported to the wholesale management activity item manager, who determines the disposition action. To facilitate the disposition of excess depot-managed property, the Air Force Materiel Command assigned a liaison to the U.S. Air Forces in Europe. The liaison coordinates with the appropriate item manager to determine the disposition of assets.

According to an official from the U.S. Naval Forces, Europe, the Navy began planning for the drawdown of its war reserves well in advance of

disposition. In January 1992, U.S. Naval Forces, Europe, began a study to examine the amount of fuel in reserve storage needed to support peacetime and wartime activities, which led to closing two naval fuel storage depots. The U.S. Naval Forces, Europe, has also planned for the disposition of war reserve ammunition that is now excess to current mission requirements. Item managers for each type of ammunition determined if the current war reserve ammunition levels were excess to requirements and, if they were excess, provided disposition instructions.

Disposal Offices' Handling of Excess Property

The DRMOs in Europe are handling increased quantities of excess equipment and supplies due to the drawdown of forces. Table 2 shows the value of excess property turned into DRMOs by each service and the Defense Logistics Agency from October 1989 through February 1993.

**Table 2: Value of Excess Property
Turned in to DRMOs From
October 1989 Through February 1993**

Dollars in millions

| User | Acquisition value | | | | Total |
|--------------------------------|-------------------|------------------|------------------|-------------------|------------------|
| | Fiscal year | | | | |
| | 1990 | 1991 | 1992 | 1993 ^a | |
| Army | \$416.3 | \$660.8 | \$1,635.9 | \$582.4 | \$3,295.4 |
| Navy | 31.8 | 37.0 | 38.9 | 19.7 | 127.4 |
| Marine Corps | 0.2 | 50.8 | 0.6 | 0.1 | 51.7 |
| Air Force | 215.7 | 249.9 | 375.5 | 158.3 | 999.4 |
| Defense Logistics Agency | 4.6 | 39.0 | 104.9 | 19.4 | 167.9 |
| Other DOD and non-DOD agencies | 11.8 | 18.8 | 28.5 | 12.6 | 71.7 |
| Total | \$680.4 | \$1,056.3 | \$2,184.3 | \$792.5 | \$4,713.5 |

^aThese figures are through February 1993.

Source: Defense Reutilization and Marketing Region, Europe.

The U.S. Army, Europe, had provided the Defense Reutilization and Marketing Region in Europe with estimated figures on some equipment and supplies to be disposed of from October 1992 through fiscal year 1994. DRMO officials emphasized that these figures were constantly changing. Table 3 shows the U.S. Army, Europe's estimated excess property through fiscal year 1994.

**Table 3: U.S. Army, Europe's
Estimated Excess Property in Fiscal
Years 1993 and 1994**

| Type of property | Items | Tons |
|---------------------|-----------|---------|
| Barracks furniture | 1,432,100 | 58,800 |
| Domestic appliances | 200,000 | 19,000 |
| General supplies | Unknown | 5,700 |
| Major end items | 16,450 | 156,500 |
| Spare parts | Unknown | 7,300 |
| Other ^a | 1,054,300 | 2,250 |

^aThis category includes items such as transformers.

Source: Defense Reutilization and Marketing Region, Europe.

The DRMOs have changed some of their procedures to enable them to better manage the large volumes of excess property. The Defense Logistics Agency authorized the European region to deviate from certain established procedures by grouping low-value property in batches, conducting retail and/or local sales as frequently as needed, and placing property directly in the sales cycle without having formal screening time for other agencies.

One method of sale that was instituted to sell property in a timely manner was in-quarters sales for family housing. This type of sale is conducted in the quarters of the residents so that transportation costs and damages to furniture are reduced. In addition, this type of sale allows military personnel an opportunity to buy furniture at 12 percent of acquisition cost, according to European region DRMO officials. Other types of sales include cash and carry sales to the general public, local sales to the public, and national sealed bid sales to the public. Table 4 shows each type of sale, the number of line items sold, the items' acquisition value, and the proceeds from the sales from October 1992 through February 1993.

**Table 4: Sales of Excess Property by
DRMOs in Europe From October 1992
Through February 1993**

| Type of sale | Number of line items | Acquisition value | Proceeds |
|----------------|-------------------------|----------------------|---------------------|
| In-quarters | 24,293 | \$ 2,967,001 | \$ 357,470 |
| Cash and carry | 115 | 199,238 | 13,210 |
| Local | 7,259 | 147,731,330 | 7,853,477 |
| Sealed bid | 941 | 42,365,088 | 2,450,217 |
| Total | 32,608 | \$193,262,657 | \$10,674,374 |

Source: Defense Reutilization and Marketing Region, Europe.

In addition to being able to place property directly in the sales cycle, the European region has adopted a single-cycle processing procedure. Under the former procedure, a sale to the public could occur as late as 231 days after DRMOS received the property. According to European region DRMO officials, during this period, DRMOS held a series of sequential screening periods for federal, state, and local agencies. Under the new procedures, screening occurs concurrently with processing, and the sale can occur after 30 days.

Problems DOD Is Encountering in Handling Excess Property

In February 1992, the Defense Reutilization and Marketing Region in Europe noted in a memorandum that a basic assumption of its plan to handle the Army's excess property from force reductions is that all of the excess property would have been screened for possible use throughout DOD before being turned in to DRMOS. However, Army units are turning in usable assets that are needed by other units to DRMOS.

Army supply and logistics officials said that the Army lacks a systematic means of sharing information on some excess property at the installation level before return to the wholesale system. Army supply and logistics officials said this lack of information hinders their ability to identify assets excess to one command to fill shortages in another command for all types of equipment and supplies, a practice known as "cross-leveling." In its comments on a draft of this report, Army officials said that a system to cross-level supplies at the unit level would eliminate this problem by the end of fiscal year 1994.

In 1990, we reported⁶ that the lack of linkage and visibility among the various supply levels affected operational readiness and resulted in the accumulation of excess items at some units, shortages of the same items at other units, and procurement of these items at the wholesale level. With the large drawdown of forces and base closures, asset visibility becomes even more important. DOD tasked the Army, in April 1986, to develop and implement an integrated inventory management system for the Army to provide wholesale managers with total asset visibility, but this system is not scheduled to be completed until fiscal year 1995, after much of the drawdown has occurred.

Also, although Army units are required to turn in excess property to supply support activities, some units are turning in usable equipment and supplies

⁶Army Inventory: A Single Supply System Would Enhance Inventory Management and Readiness (GAO/NSIAD-90-53, Jan. 25, 1990).

directly to their local DRMOS. At DRMOS we visited, we identified property that Army units turned in and other Army units requisitioned. For example, Army units turned in supplies with an acquisition cost of about \$19,000 to two DRMOS, which were picked up from the disposal office by other Army units. At one DRMO, an Army storage activity turned in 10 body armors to a DRMO that were requisitioned by another Army unit. At another office, a projector with an acquisition cost of about \$3,000 was turned in by one unit and requisitioned by another unit within 7 days.

In March 1993, the Army Audit Agency reported that Army units were turning in usable assets directly to DRMOS without first checking to ensure that they were not needed elsewhere by going through supply support activities. In its review of four DRMOS, the agency found that one unit turned in usable road wheels and sprockets valued at about \$12,000, and another unit turned in a test bench valued at about \$51,000 and a receiver/transmitter valued at over \$230,000. The test bench was new and in its original container. There was no assurance that these items were excess to DOD's needs, since Army units did not report them to the supply support activities.

Army officials in Europe told us that they are taking steps to prevent units from turning in usable supplies and equipment to DRMOS. For example, Army Disposal and Excess Program Teams are instructed to visit the DRMOS in their area at least monthly to investigate and follow up on assets that could be used to fill Army requirements.

A continuing concern by some military officials in Europe is the lack of asset visibility among the services. U.S. Army and U.S. Naval Forces, Europe, officials said that developing and implementing a means for providing visibility among the services for all excess property during the drawdown was critical because of the accelerated pace of the drawdown in Europe, the accelerated disposal process, and the associated volume of excess property.

In accordance with existing DOD procedures, military units turn in usable equipment and supplies to DRMOS and other services obtain them. For example, the Army turned in hundreds of unusable camouflage nets with an acquisition cost of about \$376,000 to a DRMO in Germany between October 1991 and January 1992. However, the Air Force found them to be in usable condition, and some nets were sent from the disposal yard to an Air Force base in England. In another case, a DRMO told us about a Navy

unit in Italy that requisitioned medical supplies valued at about \$303,000 from a disposal office in Germany.

Air Force officials told us that they advise Army and Navy headquarters in Europe of items available for screening when they are closing or downsizing a base. For example, the U.S. Naval Station, Rota, Spain, was able to obtain 94 vehicles during the drawdown and closure of Torrejon and Zaragoza Air Bases, respectively. Navy officials said they have been trying to establish a small team to screen and redistribute excess Army and Air Force property in Europe to Navy activities, but they do not have the needed personnel or funding.

The European Defense Reutilization and Marketing Region, which is also responsible for Southwest Asia, told us that they observed the undesirable effects of a lack of asset visibility in that area. When officials from Europe visited Southwest Asia in April 1993 to discuss disposal requirements, they found assets that cost approximately \$300,000 that had been declared excess by one service but were required by another service. Military personnel were not aware of these excess assets because there was no joint in-theater screening. The officials are recommending that the U.S. Central Command establish a theater screening program in Southwest Asia for all excess property and process interservice transfers when required.

If usable equipment and supplies are not cross-leveled within the Army and among the services before they are sent to DRMO, the assets could be sold at an average sale price of only about 2 percent of acquisition value⁷ before a unit becomes aware that they are available. In addition, DRMO officials said that usable items might be damaged during transport, rendering them unusable when arriving at DRMO. They said that equipment and supply documents showed that some items were in usable condition when they left the unit, but they were unusable upon arrival at DRMO.

Army officials in Europe told us that they do not have sufficient funding and personnel to handle excess property in an efficient and timely manner. As of January 1993, Army logistics officials in Europe estimated that \$77.3 million was needed in fiscal year 1993 for the disposition of ammunition and that \$87.1 million was needed to handle excess major end items and supplies. These estimates included transportation, maintenance and repair, and storage costs. The estimated cost through fiscal year 1996

⁷DOD values its excess inventory for disposal at about 2 percent of acquisition cost, which is its salvage price.

for the disposition of ammunition and major end items and supplies was \$282.3 million. However, according to Army officials, only \$21 million is available for fiscal year 1993. They said that if additional funding were not obtained, a shortfall of \$261.3 million through fiscal year 1996 could result. Army officials emphasized that these cost estimates were based on the Army reducing forces to 92,200 military personnel. They indicated that the planned reduction to 65,000 would result in additional resources being needed to handle excess property.

The changes in expected force levels have complicated planning for the drawdown. In February 1993, military officials in Europe told us that planning efforts for the disposition of excess equipment and supplies were based on an overall planned force level of 150,000 personnel. At that time, officials expressed concerns that a more accelerated and larger drawdown rate than the expected level at that time would impede their plans. In April 1993, the projected overall force level had been lowered to 109,000. In 1991, the U.S. Army, Europe, planned to achieve a reduction in forces from 158,500 to 92,200 military personnel by 1996. As of April 1993, the U.S. Army, Europe, intended to reduce its military personnel to 65,000. Also, changes in requirements could increase the expected quantities of excess equipment and supplies.

In addition, Army officials told us that their ability to process excess ammunition, equipment, and supplies in a timely manner was adversely affected by shortages of support personnel. The Army is studying the feasibility of forming reserve components to assist in European drawdown activities. Army officials estimated in February 1993 the reserve components would cost about \$17 million for fiscal year 1993 and about \$154 million for fiscal years 1993 through 1996. However, they told us that no funds were available to pay for the reserve components.

U.S. Air Forces in Europe officials said that certain methods of disposition of equipment and supplies could face funding problems in fiscal year 1993. For example, transportation funding for shipments of excess property being returned to the United States was only funded 65 percent for fiscal year 1993. Air Force officials said that they might defer shipping excess assets until funding was available. In particular, the disposition of vehicles to locations other than the nearest DRMO may need to be deferred until fiscal year 1994, which may possibly delay base closures, according to Air Force officials. Also, U.S. Air Forces in Europe officials told us that the Air Force was behind schedule in sending ammunition back to the United States because of the lack of needed funding.

Officials from the Defense Reutilization and Marketing Region, Europe, also expressed concern about inadequate funding. For example, the region asked the Defense Reutilization and Marketing Service headquarters for \$5 million for abandonment and destruction funding in fiscal year 1993 but received \$1.8 million. This amount had been spent by March 1993, and officials still estimated that the region would need \$5 million in total. Officials said they were working with their headquarters to try to obtain additional funding.

Recommendation

We recommend that the Secretary of Defense work with the military services to develop and implement a means for providing visibility among the services for all excess property.

Agency Comments and Our Evaluation

DOD agrees with our recommendation and is working to implement limited, low-cost systems to provide total asset visibility capability among the services by January 1994. DOD's comments appear in appendix I.

In our draft report, we recommended that the Secretary of the Army ensure that all deactivating Army units in Europe turn in excess equipment and supplies to supply support activities rather than DRMOS. The Army has taken action on this recommendation by issuing a message reminding Army field commands that all transfer of excess property is to be reviewed and approved by the local item manager and the next higher supervisor before being released to DRMOS. Therefore, we have deleted this recommendation.

Scope and Methodology

To obtain information for our report, we reviewed documents and interviewed officials from various military installations and disposal offices in Europe. We conducted our review from October 1992 through March 1993 in accordance with generally accepted government auditing standards. Our scope and methodology are discussed further in appendix II.

We are sending copies of this report to the Secretaries of Defense, the Army, the Air Force, and the Navy; the Chairmen, House and Senate Committees on Appropriations and on Armed Services; and the Director of the Office of Management and Budget. We will also make copies available to others on request.

Please contact me at (202) 512-8412 if you or your office have any questions concerning this report. Major contributors to this report are Joan B. Hawkins, Assistant Director, National Security and International Affairs Division; and Bettye J. Caton, Evaluator-in-Charge, and Barry J. DeWeese, Evaluator, European Office.

Sincerely yours,



Donna M. Heivilin
Director, Defense Management and
and NASA Issues

Comments From the Department of Defense



PRODUCTION AND
LOGISTICS
(L/MRM)

ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, DC 20301-8000

July 1, 1993

Mr. Frank Conahan
Assistant Comptroller General
National Security and International
Affairs Division
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Conahan:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "PROPERTY DISPOSAL: DoD Is Handling Large Amounts of Excess Property in Europe," dated June 2, 1993, (GAO Code 398143), OSD Case 9426. The DoD fully concurs with the report findings and recommendations.

Actions are currently underway to develop and implement a process to provide visibility of excess items. Initial capability should be achieved within the next ten months. The Army has also taken action to ensure that deactivating units turn in all excess items to the activity responsible for consolidating and reporting excess materiel.

The detailed DoD comments on the GAO recommendations are provided in the enclosure. The DoD appreciates the opportunity to comment on the draft report.

Sincerely,

David J. Berteau
Principal Deputy

Enclosure

Appendix I
Comments From the Department of Defense

GAO DRAFT REPORT - DATED JUNE 2, 1993
(GAO CODE 398143) OSD CASE 9426

"PROPERTY DISPOSAL: DOD IS HANDLING LARGE AMOUNTS
OF EXCESS PROPERTY IN EUROPE"

DEPARTMENT OF DEFENSE COMMENTS ON THE
DRAFT REPORT RECOMMENDATIONS

* * * * *

RECOMMENDATIONS

RECOMMENDATION 1: The GAO recommended that the Secretary of Defense work with the Military Services to develop and implement a means for providing visibility among the Services for all excess property. (p. 24/GAO Draft Report)

DOD RESPONSE: Concur. The Office of the Deputy Under Secretary of Defense (Logistics) is actively working with the Military Services and the Defense Logistics Agency to develop and implement a DoD Total Asset Visibility capability. The Department anticipates that limited, low cost systems will be in-place within the next eight to ten months to provide wholesale-to-retail asset visibility. That limited capability will grow as the Corporate Information Management capability for logistics is implemented over several years beginning in January 1995.

RECOMMENDATION 2: The GAO recommended that the Secretary of the Army ensure that all deactivating Army units in Europe turn in excess equipment and supplies to Supply Support Activities rather than the Defense Reutilization and Marketing Offices. (p. 24/GAO Draft Report)

DOD RESPONSE: Concur. In a message dated April 20, 1993, the Department of the Army reminded field commands of the Army's policy that no property is to be turned in directly to the Defense Reutilization and Marketing Office from the unit or organization level. Rather, Army policy requires that all excess items, whether serviceable or unserviceable, be turned in to the activity responsible for consolidating and reporting excess material. In addition, the April 1993, message emphasized that the transfer to disposal is to be reviewed by the local item manager, as well as the next higher level of management before being released to the Defense Reutilization and Marketing Office. That mechanism helps prevent the transfer of needed materiel.

ENCLOSURE

Now on p. 14.

Now on p. 14.

Scope and Methodology

To determine how the services were handling excess property, we visited the Logistics and Security Assistance Directorate, U.S. European Command, Stuttgart, Germany; U.S. Army, Europe, Heidelberg, Germany; 21st Theater Army Area Command, Kaiserslautern, Germany; 200th Theater Army Materiel Management Center, Zweibrucken, Germany; 7th Medical Command, Heidelberg, Germany; U.S. Army Medical Materiel Center, Pirmasens, Germany; U.S. Air Forces in Europe, Ramstein Air Base, Germany; the 600th Air Base Group, Torrejon Air Base, Spain; U.S. Naval Forces, Europe, London, England; U.S. Naval Station, Rota, Spain; and Office of Defense Cooperation, Spain.

At each location we visited, we interviewed logistics and supply officials to discuss their efforts in identifying the quantities, types, and values of excess equipment and supplies, determined the procedures for disposing of excess equipment and supplies and war reserve material, and identified issues that affected the services' efforts to effectively manage the disposition of property. We reviewed documents on the excess equipment and supplies generated by force reductions and, when available, on the excess war reserve material in Europe. We reviewed the services' plans to handle excess property from the drawdown of forces and base closures. We also identified any actions the services had taken in managing the excess property, including efforts to share information on excess equipment and supplies within and among services. When available, we reviewed documents on the cost, including funding and personnel, of redistributing excess property. We also obtained information on the shortfalls in resources needed by the services to handle the excess property.

To address the impact of the drawdown on European DRMOS and issues that could impact excess property disposition efforts, we visited the Defense Reutilization and Marketing Region, Europe, and DRMOS in Gernersheim, Kaiserslautern, Ludwigsburg, Nuernberg, and Seckenheim, Germany; Molesworth, United Kingdom; and Rota and Torrejon, Spain.

At the Defense Reutilization and Marketing Region, Europe, we interviewed officials about the quantities, types, and values of property being turned in by military units affected by the drawdown. We reviewed documentation showing what property was received and what property had been issued to determine equipment and supplies that had been turned in by one service and issued to the same or another service. We also obtained projections on the volume of property that would be turned in as the drawdown proceeds. To identify how increased volumes of

property are affecting DRMO operations, we reviewed statistics for the past 5 years on reutilization within DOD, transfers to state and federal agencies, donations, and foreign military sales. We did not verify the accuracy of statistical information we received on the amount and type of material needing disposition and the amount of material that had already been disposed of at the time of our visit. To determine how DRMOs are managing the disposal of excess property, we obtained DOD guidance on the disposal process. Further, we identified any initiatives that the DRMOs were undertaking to help better manage the disposal effort.

Ordering Information

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