United States General Accounting Office

GAO

Report to Congressional Requesters

January 2002

# DEFENSE INVENTORY

# Control Weaknesses Leave Restricted and Hazardous Excess Property Vulnerable to Improper Use, Loss, and Theft

GAO

Accountability * Integrity * Reliability

GAO-02-75

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**United States General Accounting Office**
**Washington, DC 20548**

January 25, 2002

The Honorable Tom Harkin
United States Senate

The Honorable Nick Lampson
House of Representatives

Each year over the past 5 years, the Department of Defense has accumulated billions of dollars in excess property.[1] This property covers the entire range of materials, equipment, and articles the Department uses, including vehicles, weapons, hand tools, lumber, medical equipment, and furniture. The Department is authorized to dispose of excess property and encourages the reuse of excess property to the maximum extent possible. Defense components, civilian federal agencies, and 12 programs have equal priority and first rights to excess property. The 12 programs are referred to by the Department and in this report as "special programs." Property not reused by the federal agencies or the special programs is made available to state and local governments, nonprofit organizations, and the public.

We have previously reported on the potential for fraud, waste, abuse, and mismanagement of Defense inventory and have identified the Department's inventory management as a high-risk area.[2] Because of continuing concerns about the Department's management of its excess inventory in general, you asked us to further investigate this area. As agreed with your offices, this report addresses issues involving the special programs. Specifically, it focuses on excess property issued to 3 of the 12 special programs—the Military Affiliate Radio System,[3] the Civil Air Patrol, and the 12th Congressional Regional Equipment Center.[4] We judgmentally

[1] The Department defines this as property that a military service or Defense agency no longer needs. The Department lists the value of its excess property as the cost of items when last purchased. This probably overstates the true value of items because they are not all new. The figures cited in this report are the Department's.

[2] *Inventory Management: Better Controls Needed to Prevent Misuse of Excess DOD Property* (GAO/OSI/NSIAD-00-147, Apr. 28, 2000) and *High-Risk Series: An Update* (GAO-01-263, Jan. 2001).

[3] The Military Affiliate Radio System consists of Army, Navy, and Air Force components.

[4] This program is sometimes referred to as the Cambria Regional Equipment Center.

selected these three programs because they (1) were found by our Office of Special Investigations to have obtained and used some excess property that was not consistent with their mission, (2) had readily available information about the excess property they received, (3) store their data in relatively few locations, and (4) are subject exclusively to Department of Defense oversight.

Our objectives were to determine whether these three programs (1) were acquiring property that they were not eligible to receive and, if so, how much, and (2) could account for the property they received, as required by the Department's or their own policies and procedures. Our program selection process, scope, and methodology are described in greater detail in appendix I. The three programs are described in appendix II.

## Results in Brief

Between 1995 and 2000, the three special programs obtained items that they were not eligible to receive with a total reported value of $34 million. Many of these included items whose use, storage, and disposal were restricted because of military technology/applications or items hazardous to public health and safety. Further, special program officials were sometimes unaware of the items' nature. Additionally, the Department of Defense may have incurred unnecessary costs to ship ineligible property to one special program. The three special programs were able to obtain the items because the Defense facilities that store the property are not required to verify which items the programs are eligible to receive, and because program officials do not consistently follow applicable guidelines. We also noted that the programs' lists of property they are allowed to obtain are not comprehensive because the lists exclude mission-related items similar to those already permitted. The problems we identified were not limited to the three special programs. We found similar problems associated with the other programs.

The Army component of the Military Affiliate Radio System could account for all of the property it obtained. Conversely, the Civil Air Patrol and the Air Force component of the Military Affiliate Radio System could not properly account for most of the excess property they obtained, including about 17,000 supplies with military applications or trade restrictions and about 17,000 hazardous supplies. (The 12th Congressional Regional Equipment Center is not required to track items because it is given title to the property.) Indeed, these three programs did not have reliable records for over three-quarters of their excess property. The Navy Military Affiliate Radio System could account for most of its items, although it did not have records for more than 500 supplies with military applications or trade

restrictions. Together, the three special programs obtained over 80,000 hazardous supplies. In many cases, program officials were unaware that their programs had received such items. We also found similar problems in other special programs. This lack of accountability increases the risk of mishandling excess property and the potential for waste, fraud, and abuse.

We are making programwide as well as program-specific recommendations aimed at enhancing internal controls over the Department's disposal of its excess property and the subsequent accountability for the property. In commenting on a draft of this report, the Department of Defense generally concurred with our recommendations.

## Background

Responsibility for disposal of excess Department of Defense property has been delegated to the Defense Reutilization and Marketing Service, which is part of the Defense Logistics Agency. When a military service or Defense agency organization has property it no longer needs, it turns the property over to a Defense Reutilization and Marketing Service field office—or reutilization facility. At the time we concluded our review, there were 97 reutilization facilities, located in 41 states and territories and 13 countries. Appendix III shows the locations of the 97 Defense reutilization facilities.

The property in these reutilization facilities changes daily and includes a myriad of items, ranging from air conditioners to automobiles, tents to typewriters, and computers to couches. Items[5] are made available for reuse according to established priorities. First priority is given to federal agencies—including other Defense activities—and 12 special programs that have equal status with Department activities. The 12 special programs are:

- Department of Defense Humanitarian Assistance Program;
- Law enforcement agencies;
- 12th Congressional Regional Equipment Center;
- Department of Defense or service museums;
- Academic institutions and nonprofit educational organizations;
- National Guard units;

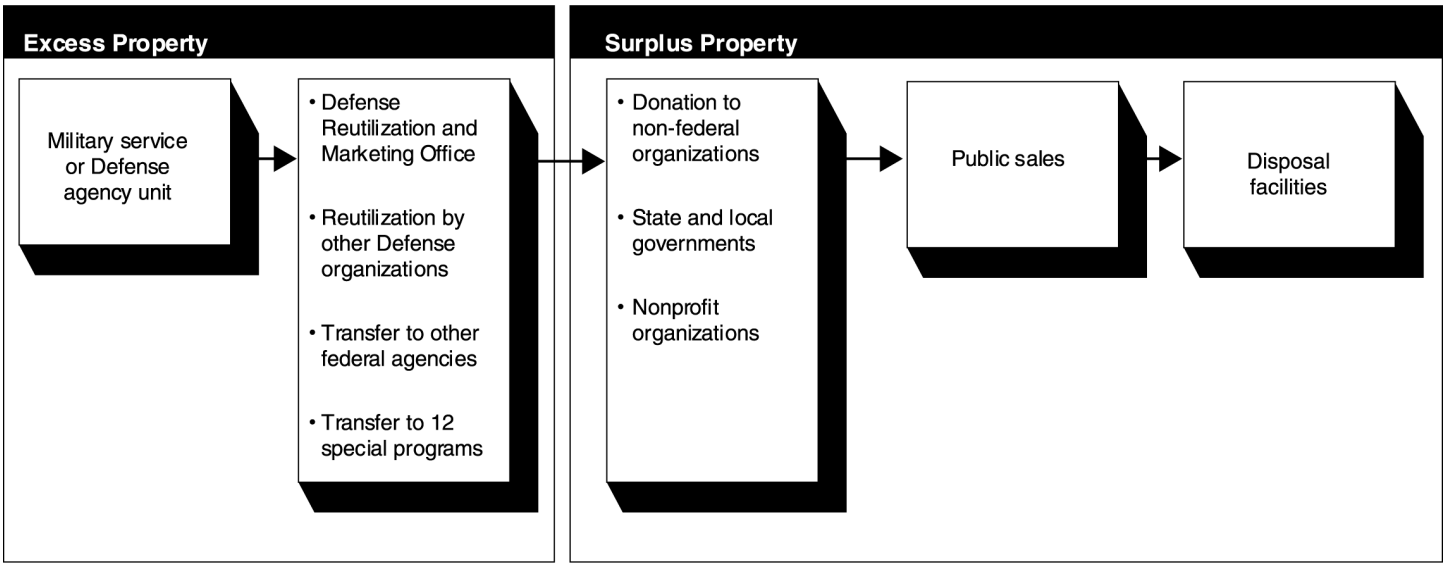
[5] Here and throughout this report, "items" refers to the number of containers of items issued. For example, if canteens are issued by the box, 1 box of 50 canteens constitutes 1 item. If cable is issued in 1,000-foot lengths, 12,000 feet of cable constitute 12 items.

- Senior Reserve Officer Training Corps units;
- Morale, welfare, and recreation activities and services;
- Military Affiliate Radio System;
- Civil Air Patrol;
- Department of Defense contractors; and
- Foreign governments and international organizations.

The Military Affiliate Radio System is run by licensed amateur radio operators whose primary mission is to augment existing communications during disasters and handle personal communications for the Armed Forces and the U.S. government civilian personnel stationed throughout the world. It is composed of separate Army, Navy (including the Marine Corps and the Coast Guard), and Air Force components, all managed and funded separately, and the Joint Staff Directorate for Command, Control, Communications, and Computer Systems provides Department oversight. The Civil Air Patrol is the civilian auxiliary of the Air Force and is overseen by the Civil Air Patrol–Air Force, a unit of the Air Education and Training Command. Its mission includes emergency services such as search and rescue, disaster relief, and counterdrug operations and the promotion of aerospace education in schools. The 12th Congressional Regional Equipment Center was established in 1992 as a demonstration project to help municipalities and nonprofit organizations in western Pennsylvania complete infrastructure projects that would otherwise be too costly to undertake. The Center acquires excess heavy equipment, and according to Center officials, rents it at below-market rates.

Excess property items are dispensed on a first-come, first-served basis to those activities with the same reuse priority. In fiscal year 2000, the Department of Defense reused excess property valued at $1.9 billion, and other federal agencies reused excess property valued at $2.5 billion. Property that is not reused within the federal government is declared surplus and is made available first to state and local governments and nonprofit organizations. In fiscal year 2000, property valued at $334 million was donated to state and local governments and others. Surplus material that remains after the donation cycle is sold to the public, and residual property is sent to a landfill or another appropriate site for final disposal. The disposal process is depicted in figure 1.

**Figure 1: Department of Defense Disposal Process**




Source: Our analysis of Defense Reutilization and Marketing Service data.

Defense reutilization facilities accept most items, including those that pose health and environmental risks and those built for military purposes.[6] Hazardous property[7] may be reused, but its transportation, storage, use, and disposal are subject to federal and state laws and regulations. Examples of hazardous property include motor oil, paint, and freon from air conditioners. Department of Defense policy also calls for identifying and demilitarizing[8] or imposing trade limits on items that have a significant military technology/application before they are released from the Department's control. Trade security controls are designed to preclude the transfer of items with a significant military technology/application to any entity whose interests are counter to those of the United States. Examples

[6] Certain items, such as classified material and ammunition, are disposed of by other means.

[7] The Department defines this as any substance that may be hazardous to human health and the environment and whose use or disposal is regulated by federal and state safety and environmental laws.

[8] Demilitarization is the act of destroying the military offensive or defensive advantages inherent in certain types of equipment or material.

of items with a demilitarization requirement include tanks, some electronics equipment, military aircraft, night-vision devices, radio sets, and optical sights. Examples of items with a trade security requirement include binoculars, electronic digital counters, power supply units, computer equipment, and test equipment such as oscilloscopes and multimeters. Department officials estimate that of the 14 million active and inactive items in the Department's supply system, about 140,000 (1 percent) have hazardous characteristics and 3.6 million (26 percent) have demilitarization and/or trade security control requirements.

In this report, items referred to as "eligible" and "ineligible" are items that the special programs are allowed and not allowed to have, respectively. "Restricted" items are those with a demilitarization requirement and/or trade security control.

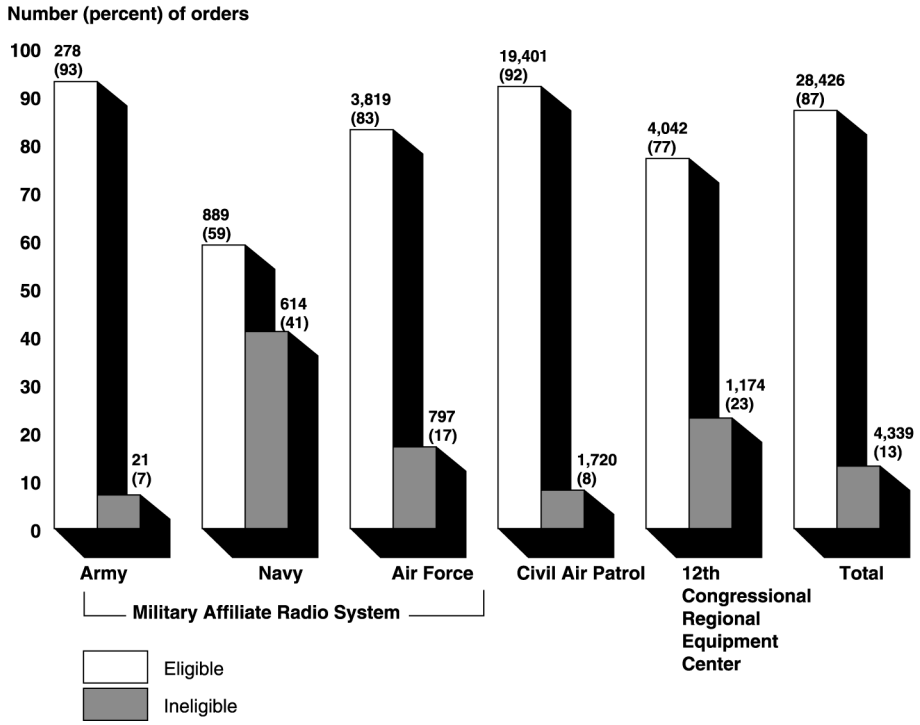
## Special Programs Obtained Property They Should Not Have Received

Between 1995 and 2000, the three special programs obtained items valued at millions of dollars that they were not eligible to receive. Consequently, this property was unavailable for reuse by federal agencies or other special programs. Moreover, a significant portion of the ineligible supplies were restricted or hazardous items and the special program officials did not always know the restriction or hazardous nature of these items. As our other investigations have shown, these problems are not limited to the three special programs. These problems are caused both by the Department that does not require its reutilization facility staff to verify a requester's eligibility to receive an item and by the special program officials who do not always follow applicable guidelines concerning the types of items they can have. We also found that the programs' lists of eligible property were not comprehensive and did not include other mission-related items that were similar to items already permitted.

## Three Special Programs Received $34 Million of Ineligible Material—Some Restricted or Hazardous

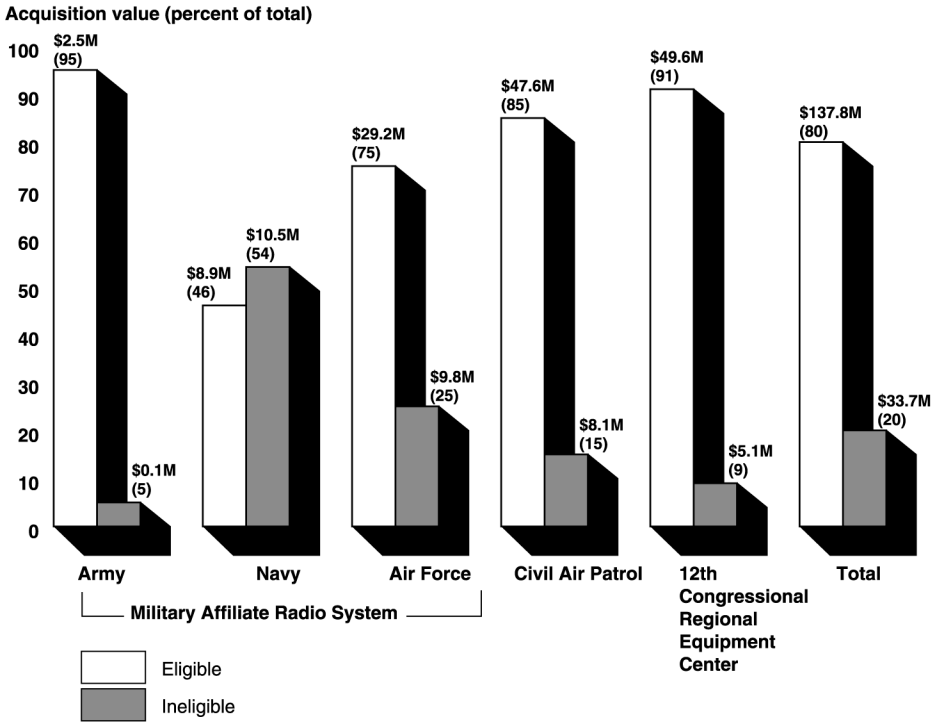
During the study period, the Military Affiliate Radio System, the Civil Air Patrol, and the 12th Congressional Regional Equipment Center staff submitted more than 32,000 orders (see fig. 2) valued at $171 million (see fig. 3). Of these, more than 4,300 (13 percent) were for ineligible property valued at about $34 million (20 percent). All of the orders represented 2.2 million supplies, of which a half-million (24 percent) were ineligible (see fig. 4).

**Figure 2: Number (Percentage) of Eligible and Ineligible Excess Property Orders Received by Special Programs (1995-2000)**




Source: Our analysis of Defense Reutilization and Marketing Service data.

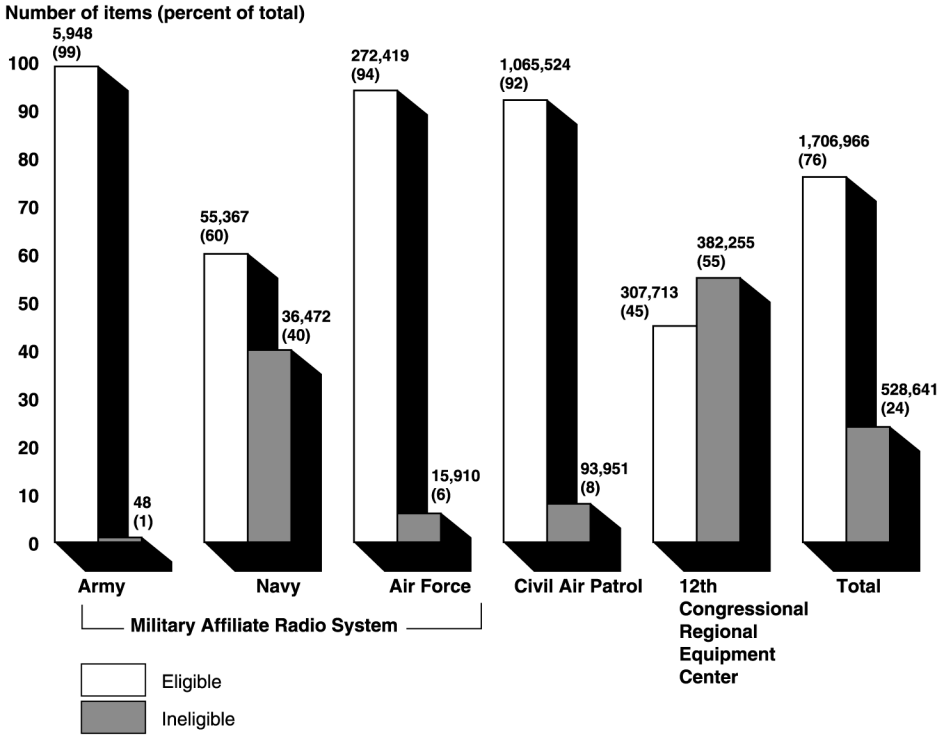
**Figure 3: Value (Percentage) of Eligible and Ineligible Excess Property Acquired by Special Programs (1995-2000)**




Note: Totals may not add due to rounding.

Source: Our analysis of Defense Reutilization and Marketing Service data.

**Figure 4: Number (Percentage) of Eligible and Ineligible Excess Property Supplies Acquired by Special Programs (1995-2000)**




Source: Our analysis of Defense Reutilization and Marketing Service data.

## Some Program Officials Were Unaware of Receiving Ineligible Hazardous and Restricted Property

All of the special programs received restricted and/or hazardous excess property, although not all of the program officials were aware that their programs had obtained the items. Program officials at the three Military Affiliate Radio System programs and at the 12th Congressional Regional Equipment Center were unaware that they had received restricted items, and Air Force and Navy Affiliate Radio System officials were unaware that they had received hazardous items (see tables 1 and 2).

**Table 1: Some Special Programs Obtained Ineligible Hazardous Property**

| Special program | Did programs/members obtain hazardous items they were not eligible to have? | Were program officials aware members had these items? |
|---|---|---|
| Military Affiliate Radio System | | |
| Army | No | N/A |
| Navy | Yes | No |
| Air Force | Yes | No |
| Civil Air Patrol | Yes | Yes |
| 12th Congressional Regional Equipment Center[a] | Yes | Yes |

[a] Ineligible hazardous property was determined in consultation with the Defense Logistics Agency.

Source: Our analysis of Defense Reutilization and Marketing Service data.

**Table 2: All Three Special Programs Obtained Ineligible Restricted Property**

| Special program | Did programs/members obtain restricted items they were not eligible to have? | Were program officials aware members had these items? |
|---|---|---|
| Military Affiliate Radio System | | |
| Army | Yes | No |
| Navy | Yes | No |
| Air Force | Yes | No |
| Civil Air Patrol | Yes | Yes |
| 12th Congressional Regional Equipment Center[a] | Yes | No |

[a] Ineligible restricted property was determined in consultation with the Defense Logistics Agency.

Source: Our analysis of Defense Reutilization and Marketing Service data.

The three programs obtained almost 25,000 ineligible hazardous supplies such as batteries, chemicals, computer equipment, and oils. In addition, about 3,800 of the ineligible supplies were restricted.[9] The 12th

[9] One program official questioned whether some items classified as restricted were indeed restricted. We did not verify the accuracy of the restricted or the hazardous codes reported by the Department because the Department expects the recipients of these items to handle them as if they were.

Congressional Regional Equipment Center is the only program that the Department does not permit to have restricted items because its mission does not require them. Center officials said that they knew of this exclusion but were unaware that they had received more than 500 such supplies during the study period. The number of ineligible, restricted, and hazardous supplies obtained by each program are shown in table 3.

**Table 3: Number of Ineligible Restricted and Hazardous Supplies Issued to Special Programs (1995-2000)**

| | Ineligible supplies[a] | |
|---|---|---|
| **Special program** | **Restricted** | **Hazardous** |
| Military Affiliate Radio System | | |
| Army | 7 | 0 |
| Navy | 268 | 34 |
| Air Force | 262 | 8,800 |
| Civil Air Patrol | 2,793 | 4,394 |
| 12th Congressional Regional Equipment Center[b] | 513 | 11,661 |
| **Total** | **3,843** | **24,889** |

[a] Four ineligible supplies, which were obtained by the Navy Military Affiliate Radio System, were both restricted and hazardous. These supplies are reported in this table as both.

[b] The number of ineligible restricted and hazardous supplies was determined in consultation with the Defense Logistics Agency.

Source: Our analysis of Defense Reutilization and Marketing Service data.

## The Department May Have Incurred Unnecessary Cost to Ship Excess Property

During 1995-2000, the Department may have incurred unnecessary cost to ship 915 orders of excess property to the 12th Congressional Regional Equipment Center. According to both Department of Defense policy and the 1993 agreement between the Department and the Center, the Center is responsible for all shipment costs.[10] However, in 1995 the Department began an experimental project at several installations to keep excess property in place to minimize transportation and handling costs (as opposed to sending the property first to a reutilization facility, which is normally the procedure). No limitation was placed on the Center's participation in the program. Property that was subsequently reused was shipped to all recipients, including the Center, at the Department's expense. It is not clear whether the agreement should have precluded the Center from participating in this project. Defense officials estimate that the Department spent $46,000 to ship items from reutilization facilities as

[10] Defense Reutilization and Marketing Service Instruction 4160.14, vol. III, ch. 8 (Jan. 4, 2000).

far away as California, Washington, and Texas to the Center's headquarters in Blairsville, Pennsylvania. Almost one-third of these orders—valued at $521,000—were for ineligible items and estimated shipping costs exceeded $15,000.

## Problems Had Been Previously Identified in Other Special Programs

Other special programs are also obtaining excess property that they are not allowed to receive. According to several recent investigations conducted by our Office of Special Investigations:

During 1998 and 1999, a National Guard unit in Florida obtained thousands of dollars of excess property without prior approval from the appropriate office as required.[11] Furthermore, the unit used an invalid activity address code[12] to acquire the property.

The president of a construction company obtained excess property under false pretense by purporting to be the curator of a military museum. Some of the property was used on company projects. In November 1999, 36 military vehicles (including tanks and armored personnel carriers) and weapons (including howitzers and a rocket launcher) were removed from the individual's custody. In November 1999, his company was fined $10,000, and in February 2000, he was sentenced to probation and community service.

Defense contractors used invalid activity codes and expired contracts to obtain property valued at over $6 million of property without proper authorization.[13] One contractor obtained 256,648 supplies from reutilization facilities, but could account for only 54,561 of them. The 202,087 (79 percent of the total) missing supplies included raw materials, equipment, and clothing. Some of the property had been reported stolen.

An activity code assigned to the Department of Defense Humanitarian Assistance Program was used to order about $12 million of excess

[11] *Inventory Management* (GAO/OSI/NSIAD-00-147, Apr. 28, 2000).

[12] An activity address code is a unique six-position alphanumeric code that identifies a specific activity or account authorized to receive Department of Defense material.

[13] *Inventory Management* (GAO/OSI/NSIAD-00-147, Apr. 28, 2000).

property after the code was invalidated.[14] This matter is currently under investigation, and we plan to report on this in the future.

A number of law enforcement agency program participants are currently under investigation for their alleged role in the improper acquisition of excess property according to Defense investigative agencies. In addition, we recently determined that a number of activity codes remained active after they should have been deleted and that law enforcement agencies obtained more excess property than authorized. We are also investigating inconsistencies in the type of excess property authorized for issuance to law enforcement agencies and plan to report on this in the future.

In May and June of 2000, a number of law enforcement agency program participants received excess property that was not authorized on 16 different occasions. The approving program official was not aware that additional property had been issued until we requested a transaction history comparing the quantity of property approved to the property acquired.

As was the case with the three special programs, these other programs were able to obtain ineligible property because the Department did not exercise adequate oversight. To eliminate weaknesses cited in our recent reports,[15] the Deputy Under Secretary of Defense for Logistics and Materiel Readiness directed the Defense Logistics Agency to review how it establishes and controls activity codes. The Agency plans to redesign its activity code database to take advantage of modern electronic commerce methods. This review began in February 2001, and it is expected to be completed in the summer or fall of 2002.

As part of its redesign effort, the Agency is considering establishing purpose codes to identify property an organization is eligible to obtain. Officials involved in this effort believe that the accountable program officers for the 12 special programs could use these specific codes to verify their eligibility to obtain excess property.

[14] *Concerns Raised About Use of Unreconciled Activity Codes to Requisition New and Excess Government Property* (GAO-01-86R, Dec. 6, 2000).

[15] A list of related GAO products appears at the end of this report.

## Control Weaknesses Allowed Special Programs to Obtain Ineligible Items

The three special programs obtained ineligible excess property partly because of internal control weaknesses at the Defense reutilization facilities, which are not required to determine whether a program is allowed to have a requested item, and partly because program officials do not consistently follow guidelines when approving requests for property.

### Reutilization Facility Staff Is Not Required to Review Property Requests for Eligibility of Items

Current Department policy[16] does not require reutilization facility staff to scrutinize property requests to determine whether a requester is eligible to receive a particular type of property. Defense reutilization facility staff is required to verify only that (1) individuals requesting and picking up property are authorized representatives of a valid receiving organization and (2) the property request form is signed by an accountable program officer. Before releasing the property, reutilization facility staff also verifies that the item on the request form matches the item that is being picked up.

### Special Program Officials Did Not Follow Guidelines

Special program officials did not follow applicable guidelines for obtaining excess property. Policies and procedures established for the programs were supposed to prevent ineligible requests from reaching the reutilization facilities. However, requests for ineligible property were numerous and widespread.

Military Affiliate Radio System. Although each of the three Military Affiliate Radio Systems obtained items it was not allowed to have, officials responsible for approving property requests said they were unaware that their members had received any unauthorized items. However, almost one out of five requests approved by the three systems was for property not in the 18 authorized federal supply classes[17] (see fig. 4). The three systems also obtained over 9,000 unauthorized restricted or hazardous supplies, even though all three have a two-tiered review and approval process for property requests to verify, among other things, that the requested item is within the authorized federal supply classes. The Air Force and Navy Systems have issued guidance allowing their members to obtain property outside the authorized federal supply classes on a case-by-case basis and

[16] Defense Reutilization and Marketing Service Instruction 4160.14, vol. III, ch. 4 (Jan. 4, 2000).

[17] Prior to July 1, 1997, the number of authorized federal supply classes was 54. The Department assigns a federal supply class to items it requires on a regular basis. Each of the 639 supply classes covers a relatively homogeneous group of items with respect to their physical or performance characteristics.

when properly justified. The Air Force requires this justification in writing. The Army System is stricter and does not allow its members to have items outside of the authorized federal supply classes.

In their response to a draft of this report, Army System officials provided another list of authorized federal supply classes that they said was used to approve excess property requests. This list was in effect from October 22, 1996, to June 30, 1997. This 8-month time period is also covered by guidance issued by the Department that contains a different, more restrictive set of authorized federal supply classes. Using the Army System's list, 11 orders (not 21) with ineligible federal supply classes were approved. These were valued at $14,000 (down from $128,000) and represented 30 supplies (down from 48). According to a Department official, when Department and program guidance conflict, Department guidance is followed.

Civil Air Patrol. According to Air Force and Patrol officials, very few written requests for items outside of the 97 allowed federal supply classes were submitted and approved by the Air Force during the 5-year study period. Our analysis of Department records showed that during this period, the Patrol received 1,720 orders for 94,000 supplies (valued at $8.1 million) that were not in the eligible federal supply classes. Civil Air Patrol and Air Force policies[18] differ on what must be done to obtain an item not in the eligible federal supply classes. A Civil Air Patrol regulation states that a request for an item not in the eligible federal supply classes may be approved by the Air Force regional director for logistics if a valid need for that item exists. Patrol officials stated that the list of eligible federal supply classes is intended to be a guide, not a definitive list. However, the Air Force instruction states that requests for items outside of the allowed federal supply classes are approved on a case-by-case basis and require written justification, which should be kept for 1 year. We asked for copies of justification letters that had been submitted for ineligible items; however, Civil Air Patrol and Air Force officials could not locate any and could only recall receiving a few justification letters. According to an Air Force official who oversees Patrol operations, in cases where a Patrol regulation differs from an Air Force regulation, the Air Force regulation is followed.

[18] Civil Air Patrol-Air Force Regulation 67-2 (June 15, 1990) and Civil Air Patrol Regulation 67-1(E) (Aug. 15, 2000).

12th Congressional Regional Equipment Center. During the study period, the Center staff submitted to Defense reutilization facilities almost 1,200 orders (for 382,000 supplies) valued at $5.1 million that were not included in its agreement with the Defense Logistics Agency. Center officials stated that they were aware the orders were for ineligible items but approved the requests on the assumption that the reutilization facilities would reject any that were deemed inappropriate. According to Center officials, fewer than five property requests from 1995 to 2000 were rejected by the reutilization facilities because of the type of property involved. In one instance, the only one that officials could recall, the ineligible property included office supplies, parachute cords, and computer equipment.

The 12th Congressional Regional Equipment Center does not have to obtain Department approval before submitting a property request to the reutilization facilities, unless the item is not covered by its agreement with the Defense Logistics Agency. In that event, according to the Defense Logistics Agency, the Center is required to submit a written request to the Agency, but has rarely done so. (In contrast, the Civil Air Patrol and the Military Affiliate Radio System must have all their requests cleared by a Department of Defense official.) As a result, the Defense reutilization facilities provide the only consistent external oversight of the Center's property requests. According to Defense Logistics Agency officials, it is not the role of the reutilization facility staff to determine whether a property request is appropriate, although a couple of times a year the Agency is contacted by a reutilization facility clerk questioning the appropriateness of a particular property request submitted by the Center. However, the Agency maintains that this responsibility resides with the accountable program officer, who, in the case of the Center, is a Center employee.

## Lists of Eligible Items Do Not Accurately Reflect the Special Programs' Needs

Department and program guidance allows the Military Affiliate Radio System, the Civil Air Patrol, and the 12th Congressional Regional Equipment Center only to obtain excess property that supports their respective missions. Program officials, in collaboration with the Department of Defense, have compiled a list of federal supply classes for each program that contains items that members may obtain. However, with the assistance of Department officials, we reviewed these lists and determined that they are not comprehensive and therefore do not accurately reflect the programs' missions. Some ineligible property seems to be mission-related in that it is similar to property the programs are eligible to receive. For example, 71 percent ($14.6 million) of the $20.5 million in ineligible property that the three Military Affiliate Radio Systems

obtained consisted of communication items and electrical or electronic components. Similarly, the Civil Air Patrol obtained more than $800,000 in communication items, and the 12th Congressional Regional Equipment Center obtained about $675,000 in metal that was made into various shapes, including sheets, I-beams, and rods.

There were also instances where the ineligible property did not appear to be mission related (see table 4).

**Table 4: Ineligible Property Obtained by the Three Special Programs That Did Not Appear to Be Mission Related**

| Military Affiliate Radio System[a] | Civil Air Patrol | 12th Congressional Regional Equipment Center |
|---|---|---|
| Trucks | Combat headsets | Passenger vehicles |
| Pumps and compressors | Sewage treatment equipment | Food preparation and serving equipment |
| Air conditioning and air circulating equipment | Computer hardware, including monitors, printers, and central processing units | Computer hardware, including monitors and central processing units |
| Special purpose clothing | Laundry equipment | Special purpose clothing |
| Maintenance and repair shop equipment | Diesel engines and power transmission equipment | Office supplies |
| Photographic supplies | Television sets | Photographic supplies |
| Furniture | Optical sighting equipment | Furniture |
| Hand tools | Camouflage netting | Radios |
| | Demolition material | Medical and dental instruments |

[a]The Army Affiliate Radio System did not obtain any of the items listed in this column.

Source: Department and GAO review of approved federal supply classes.

The 1993 agreement between the 12th Congressional Regional Equipment Center and the Defense Logistics Agency has been amended several times to increase the quantities of heavy equipment the Center may acquire, but the types of eligible items have only changed once since 1993. In November 1996, eight new federal supply classes were added and two classes were eliminated from the original list of eligible items.

Besides heavy equipment, the Center is allowed to obtain ancillary equipment and supplies (e.g., oil, antifreeze, and repair parts). In addition, the Center is to only request property that is necessary for its operation. No guidance has been issued to identify all the items covered by the agreement. Similarly, the agreement does not address limits on the number

of ancillary items the Center can have. As a result, the Center was able to acquire a large number of eligible supplies, including more than 20,000 hand tools and almost 900 pieces of firefighting equipment. Defense Logistics Agency officials agreed that these quantities probably exceeded what the Center is required to sustain its operations.

## Property Accountability Is Inadequate

Two of the three Military Affiliate Radio System programs and the Civil Air Patrol maintain poor accountability over the excess property they have acquired, including restricted and hazardous items. (The Department does not require the 12th Congressional Regional Equipment Center to track received excess property because it is given title to the property.)[19] This lack of accountability increases the property's vulnerability to misuse, loss, and theft. We compared the property the Department recorded issuing to the special programs with the property recorded in the programs' databases and found that the databases had a significant number of missing records (see table 5). The Civil Air Patrol, for example, could not account for 98 percent of the excess property supplies (77 percent based on value) it had obtained from the Defense reutilization facilities.

**Table 5: Accountability of Excess Property Issued to Special Programs (1995-2000)**

Dollars in millions

| | In database | | Not in database | |
|---|---|---|---|---|
| **Special program** | **Supplies (percent)** | **Value (percent)** | **Supplies (percent)** | **Value (percent)** |
| Military Affiliate Radio System | | | | |
| Army | 127 (100) | $0.5 (92) | 0 (0) | $0 (0) |
| Navy (sample) | 5,547 (88) | 9 (67) | 724 (12) | 4.5 (33) |
| Air Force | 38,703 (13) | 27 (69) | 249,615 (87) | 12 (31) |
| Civil Air Patrol | 476 (2) | 2.7 (23) | 28,172 (98) | 9.4 (77) |
| 12th Congressional Regional Equipment Center | Not required to track | | | |

Source: Our analysis of Defense Reutilization and Marketing Service and program data.

[19] Under the agreement between the Defense Logistics Agency and the Center, the Agency can request the return of any property covered by the agreement, at which time title would revert to the Agency.

## Military Affiliate Radio System

On the basis of annual inventories, officials at the Army and Air Force Affiliate Radio System programs believed that most of their excess property could be accounted for.[20] We found that the Army Affiliate Radio System could account for all of the excess supplies the Defense reutilization facilities reported releasing to its members. Conversely, the Air Force Affiliate Radio System could not account for 87 percent of its excess supplies (31 percent based on value). We also judgmentally sampled items obtained by the Navy Affiliate Radio System and asked that the program's regional officials search their local databases for records of the items. The officials could not account for 12 percent of the supplies (33 percent based on value) in our sample; however, more than three-quarters of the restricted supplies the program had obtained were unaccounted for (see table 6). These included radio and television equipment, batteries, measuring and test instruments, and computer equipment.

## Civil Air Patrol

In accordance with Air Force supply policy, the Civil Air Patrol is required to track nonexpendable property, that is, items that can be reused. However, we could not account for most of the more than 28,000 nonexpendable supplies the Patrol acquired from the Defense reutilization facilities. Items we could not locate in the property database included radio and television equipment, office furniture, and special purpose clothing. More than half of the supplies were special purpose clothing items such as cold weather clothing and flyers' helmets, jackets, and coveralls. Patrol officials explained that a majority of the clothing was in poor condition, was not reusable, and therefore did not require tracking. However, we found no evidence to suggest that Patrol officials considered an item's condition when deciding if it should be tracked.[21] Air Force supply policies do allow senior officials some discretion on what property to track, and we believe linking this decision to an item's condition is reasonable, when accompanied by a record of the decision.

[20] According to Army regulation, the Army Affiliate Radio System is required to retain excess property records for 2 years after an item has been disposed of, transferred to another member, or returned to a Defense reutilization facility. This reduced the number of items that should have been tracked from 5,986 to 127.

[21] Some of this property is vulnerable to misuse. In one recent case, the wing vice commander of a Civil Air Patrol wing fraudulently obtained excess property with an acquisition value of over $450,000 and subsequently sold the property for personal gain. The case was presented for prosecution in 1999, and the vice commander pled guilty to converting to his own use and selling government property.

Based on a recommendation by the Department of Defense Inspector General's Office, beginning on January 1, 2002, the Patrol will track only those items, excess or otherwise, valued at $2,500 or more.[22] While we agree a dollar threshold is an important factor to consider in determining which items should be tracked, other factors should not be ignored. For example, Air Force policy requires pilferable items to be tracked, regardless of their value, because of their demand in the civilian economy. The Patrol obtained 5,500 expendable, pilferable supplies during the study period, such as hand tools, communications and electronic equipment, and vehicle equipment and parts. Tracking nonexpendable and expendable restricted and hazardous items, regardless of their value, also is prudent.

The Civil Air Patrol's ability to manage its property, including that obtained from reutilization facilities, has been impaired by its information systems. The Patrol does not include national stock numbers[23] or indicate whether an item is restricted or hazardous in its property database. As a result, the Patrol cannot readily determine the status of this property, nor can it ensure its proper handling. The Air Force has directed the Patrol to improve how it accounts for excess property, and the Patrol is reviewing different approaches.

## 12th Congressional Regional Equipment Center

Although the Center is not required to track excess property, we found that it had disposed of some property in a manner that was inconsistent with the terms of its agreement with the Defense Logistics Agency. The Center is only supposed to obtain property that it needs for its operations and should not sell property without the permission and knowledge of the Defense Logistics Agency. However, the Center was selling excess property to its members without permission or notification. Items for sale included office equipment and supplies, paper products, hand tools, and furniture. Sales revenue from 1995 to 2000 was reported at $636,000.[24] According to Center officials, sales proceeds were used to fund the Center's operations.

[22] *Administration and Management of the Civil Air Patrol*, Report No. D-2000-075 (Feb. 15, 2000).

[23] The Department assigns a national stock number to identify an item and distinguish it from other items that the Department uses on a recurring basis. The first four digits of an item's national stock number identify the item's federal supply class.

[24] A Center official pointed out that the Center's 1999 and 2000 sales figures have not been audited.

## Restricted or Hazardous Items Are Not Adequately Tracked

The Civil Air Patrol and the Air Force Military Affiliate Radio System could not properly account for restricted or hazardous excess property they had obtained. The Army Affiliate Radio System could account for all of its restricted property and did not receive any hazardous property. Department policy requires non-Department of Defense organizations to sign an agreement acknowledging the receipt of restricted items and accepting responsibility for their care. However, because Defense policy treats the 12 special programs like Defense organizations, a recipient is not required to sign this agreement. Consequently, program officials are often unaware that the property they have is restricted. Department policy also requires Defense reutilization facilities to store hazardous property separately and under increased security control. Additionally, recipients of hazardous property are provided information on how to use it safely and the consequences of misuse. While we did not attempt to confirm whether reutilization facility officials complied with this requirement, officials from the Navy and Air Force Military Affiliate Radio Systems and the Civil Air Patrol—programs that had obtained hazardous items—did not recall receiving this information.[25]

Program officials who are unaware that they have restricted or hazardous property cannot track its whereabouts and cannot take necessary precautions to safeguard its distribution or use and store and transport it safely. Currently, only the Civil Air Patrol has procedures for dealing with restricted property. Of the three programs that received hazardous property, only the 12th Congressional Regional Equipment Center has necessary procedures. None of the special programs indicate whether an item is restricted or hazardous in their property databases. As tables 6 and 7 show, many of these supplies were not recorded. Officials from all three special programs agreed that it would be beneficial to track the status of restricted and hazardous items in their property databases.

[25] The Navy Military Affiliate Radio System obtained 34 hazardous items that it was eligible to receive. See table 3.

**Table 6: Accountability of Restricted Supplies Issued to Special Programs (1995-2000)**

| Special program | Restricted supplies | In database (percent) | Not in database (percent) |
|---|---|---|---|
| Military Affiliate Radio System | | | |
| Army | 25 | 25 (100) | 0 (0) |
| Navy (sample) | 727 | 158 (22) | 569 (78) |
| Air Force | 1,264 | 863 (68) | 401 (32) |
| Civil Air Patrol[a] | 16,984 | 205 (1) | 16,779 (99) |
| 12th Congressional Regional Equipment Center | 819 | Not required to track | |

[a]The Civil Air Patrol also received 15,549 expendable restricted supplies. The Patrol is tracking 1 percent of these expendable supplies.

Source: Our analysis of Defense Reutilization and Marketing Service and program data.

**Table 7: Accountability of Hazardous Supplies Issued to Special Programs (1995-2000)**

| Special program | Hazardous supplies | In database (percent) | Not in database (percent) |
|---|---|---|---|
| Military Affiliate Radio System | | | |
| Army | 0 | 0 | 0 |
| Navy (sample)[a] | 0 | 0 | 0 |
| Air Force | 18,773 | 1,635 (9) | 17,138 (91) |
| Civil Air Patrol[b] | 72 | 0 | 72 (100) |
| 12th Congressional Regional Equipment Center | 65,052 | Not required to track | |

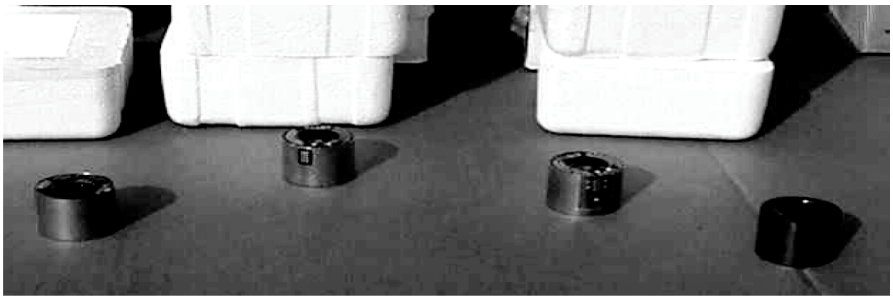
[a]None of the 34 hazardous supplies obtained by the Navy Radio Affiliate System were included in the sample.

[b]The Civil Air Patrol also received 7,419 expendable hazardous supplies. The Patrol is tracking less than 1 percent of these expendable supplies.

Source: Our analysis of Defense Reutilization and Marketing Service and program data.

Examples of restricted items not in the databases included 14 pieces of night vision equipment, over 2,700 radio equipment supplies (which according to Department officials, could be used to disrupt military communications, send and receive secure transmissions, or transmit on military frequencies), and over 100 pieces of camouflage equipment. These items are shown in figure 5.

**Figure 5: Examples of Restricted Items Not in the Special Programs' Property Databases**



Night vision image intensifier.

Camouflage screening system.

Radio receiver-transmitter.

Source: Department of Defense and Radian Incorporated.

(See app. IV for an explanation of how Defense reutilization facilities, the Military Affiliate Radio System programs, and the Civil Air Patrol track excess property.)

## Problems Also Identified With Other Special Programs

Our Office of Special Investigations has found similar problems with property accountability in the other special programs. For example, a Florida National Guard unit did not follow procedures to account for excess property it had obtained, and Defense contractors did not inventory or track excess property. According to the Defense Reutilization and Marketing Service's Office of Command Security, a lack of inventory records creates conditions conducive to crime because property could be stolen or diverted.

## Conclusions

Internal control weaknesses, both at Defense reutilization facilities and at special programs, leave excess property vulnerable to misuse, loss, and theft. As a result, there is the risk that unauthorized individuals or organizations may be able to obtain property with military applications or technology. Special programs have been able to obtain ineligible excess property with military technology/applications and hazardous items—in some cases without realizing it. In addition, program officials did not know the whereabouts of much of their excess property. Further, because these programs have obtained property that they are not eligible to have, the property is unavailable for reuse by federal agencies or other special programs. These problems also exist in other special programs.

## Recommendations for Executive Action

Given the unique policies and regulations associated with each of the special programs, addressing the control weaknesses we identified requires actions that apply to all programs as well as actions tailored to each individual program.

For all programs, we recommend that the Secretary of Defense direct the Director of the Defense Logistics Agency to take the following actions:

(1) As part of the Department's redesign of its activity code database, establish codes that identify the type of excess property—by federal supply class—and the quantity that each special program is eligible to obtain and provide accountable program officers access to appropriate information to identify any inconsistencies between what was approved and what was received.

(2) Reiterate policy stressing that Defense reutilization facility staff must notify special program officials of the specific tracking and handling requirements of hazardous items and items with military technology/applications.

We also recommend that the Secretary of Defense ensure that accountable program officers within the Department verify, prior to approving the issuance of excess property, the eligibility of special programs to obtain specific types and amounts of property, including items that are hazardous or have military technology/applications. This could be accomplished, in part, through the Department's ongoing redesign of its activity code database.

For each individual program, we further recommend the following.

(1) With regard to the 12th Congressional Regional Equipment Center, we recommend that the Secretary of Defense direct the Director of the Defense Logistics Agency to review and amend, as necessary, its agreement with the Center in the following areas:

- the Center's financial responsibility for the cost of shipping excess property obtained under the experimental project,
- the ancillary items the Center is eligible to receive,
- the rules concerning the sale of property and procedures for the Center to notify the Agency of all proposed sales of excess property,
- the Center's responsibility for tracking items having military technology/application and hazardous items, and
- the need for Agency approval of the Center's orders for excess property.

(2) With regard to the Army, the Navy, and the Air Force Military Affiliate Radio Systems, we recommend that the Secretary of Defense direct the Chairman of the Joint Chiefs of Staff to have the Joint Staff Directorate for Command, Control, Communications, and Computer Systems review which items these systems are eligible to receive, on the basis of their mission and needs, and direct each of the Military Affiliate Radio Systems to accurately track excess property, including pilferable

items, items with military technology/applications, and hazardous items.

(3) With regard to the Civil Air Patrol, we recommend that the Secretary of Defense direct the Secretary of the Air Force to have the Civil Air Patrol-Air Force review which items the Patrol is eligible to receive, on the basis of its mission and needs, and direct the Patrol to accurately track its excess property, including pilferable items, items with military technology/applications, and hazardous items.

## Agency Comments and Our Evaluation

In written comments on a draft of this report, the Department of Defense generally concurred with our recommendations. It fully concurred with four of our recommendations and partially concurred with two—those calling for the establishment of an automated process to reject requests for excess property that each special program is not eligible to obtain and to provide accountable program officials access to information about their property requests.

The Department agreed with our assessment that modifying the current approval process to ensure that only valid requests for excess property are filled would enhance program oversight. The Department further stated if it is not economically feasible to modify the exiting database, it would consider alternative approaches to achieving the intent of our recommendation. The Department also indicated that the Defense Reutilization and Marketing Service has placed an inventory query on its website to assist program officials in monitoring their reutilization transactions. We are encouraged by the Department's commitment to correct the current approval process. The Department's comments are reprinted in their entirety in appendix V.

In separate written comments, 12th Congressional Regional Equipment Center officials generally agreed with the accuracy of the report's contents as it relates to the Center. The Center also noted that the success of the Center could be improved with a revised contract with the Defense Logistics Agency, which the Department indicated it is doing now. The Center's comments are reprinted in their entirety in appendix VI.

The Defense Logistics Agency, the Air Force, the Joint Staff, and the 12th Congressional Regional Equipment Center provided technical comments, which were incorporated in the report as appropriate.

As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its issue date. At that time, we will send copies of this report to interested congressional committees; the Secretaries of Defense, of the Army, of the Navy, and of the Air Force; and the Director of the Defense Logistics Agency.

If you or your staff have any questions about this report, please contact me at (202) 512-8412 or Robert H. Hast at (202) 512-7455. Key contributors to this report are listed in appendix VII.

David R. Warren, Director
Defense Capabilities and Management

Robert H. Hast, Managing Director
Office of Special Investigations

# Appendix I: Scope and Methodology

We selected the Military Affiliate Radio System, the Civil Air Patrol, and the 12th Congressional Regional Equipment Center for review because they (1) were found by our Office of Special Investigations to have obtained and used some excess property that was not consistent with their mission, (2) store their data in relatively few locations, (3) are subject exclusively to Department of Defense oversight, and (4) have information about their excess property that is readily available from the Defense Reutilization and Marketing Service.

We collected and analyzed data on excess Department of Defense property obtained by the three special programs from January 1, 1995-June 30, 2000, with the exception of the 12th Congressional Regional Equipment Center, where we used data from October 1, 1995-December 31, 2000. The reason for this time shift is because the Center did not begin acquiring excess defense property until October 1995. During our review, we did not assess the effectiveness of the 12th Congressional Regional Equipment Center.

To answer the two questions addressed in this report, we spoke with officials from:

- Headquarters, Defense Logistics Agency, Fort Belvoir, Virginia.
- Headquarters, Defense Reutilization and Marketing Service, Battle Creek, Michigan.
- Defense Reutilization and Marketing Office, Fort Meade, Maryland.
- Army Logistics Management College, Fort Lee, Virginia.
- Headquarters, Army Military Affiliate Radio System, Fort Huachuca, Arizona.
- Headquarters, Navy Military Affiliate Radio System, Washington, D.C.
- Headquarters, Air Force Military Affiliate Radio System, Scott Air Force Base, Illinois.
- Headquarters, Navy Military Affiliate Radio System, Region 2, Charleston, South Carolina.
- Headquarters, Civil Air Patrol, Maxwell Air Force Base, Alabama.
- Headquarters, Civil Air Patrol–U.S. Air Force, Maxwell Air Force Base, Alabama.
- 12th Congressional Regional Equipment Center, Blairsville, Pennsylvania.
- Headquarters, Air Force Equipment Policy Team, Directorate of Supply, Washington, D.C.
- Joint Staff, Communications and Computer Networks Division, Directorate for Command, Control, Communications, and Computers, Washington, D.C.

To determine whether the three special programs had received ineligible excess property--and if so, how much--we compared the federal supply classes of the acquired property to each program's list of approved federal supply classes. The Defense Reutilization and Marketing Service provided a record of the excess property issued to each program over the 5-1/2 years in electronic spreadsheet files. According to Defense Reutilization and Marketing Service officials, the data they provided us was the most accurate information available on the disposition of excess property. We did not independently verify the data we received on excess property at these special programs.

Records contained descriptive and identifying information about each order, including date of the transaction, price data, national stock number, demilitarization and environmental codes, and quantity issued. For the Military Affiliate Radio System and the Civil Air Patrol programs, items with federal supply classes not on the approved lists were treated as ineligible. For the 12th Congressional Regional Equipment Center, a list of eligible heavy equipment was included as an attachment to its agreement with the Defense Logistics Agency. The eligibility of various ancillary items was determined by unanimous agreement between our staff and Defense Logistics Agency officials who oversee the Center's operations on behalf of the Department. Where the eligibility of a certain item was ambiguous, we considered it to be eligible. For example, the Military Affiliate Radio Systems limit some items to their state and regional directors; however, we did not take this distinction into account in our analysis. In those cases where an apparent typographical error resulted in a mismatch between a Defense Reutilization and Marketing Service record and a property database record, we treated the two as a match.

To determine whether the special programs could account for the property they had received, we met with officials from the Army, Navy, and Air Force Military Affiliate Radio Systems and the Civil Air Patrol to discuss their policies, procedures, and practices for tracking the excess property and obtained electronic or paper copies of the programs' property databases. We matched the Defense Reutilization and Marketing Service records of property issued to these programs with entries in the programs' databases. Although we did not evaluate how well the 12th Congressional Regional Equipment Center had tracked the excess property it was issued, we spoke with Center officials about measures taken to account for restricted and hazardous property.

In accordance with Army regulation, the Army Affiliate Radio System retains excess property records for 2 years after an item has been disposed

of, transferred to another member, or returned to a Defense reutilization facility. Because we could not determine with certainty an item's status that was obtained before the 2-year limit, we limited our review of items to 2 years instead of 5-1/2 years. This reduced the number of supplies that we tried to match from 5,986 to 127. Because the Navy Affiliate Radio System does not account for its property centrally, we selected a sample of items from the Defense Reutilization and Marketing Service records and relied on Navy Affiliate Radio System personnel in each of its seven regions.

The Patrol follows Air Force supply policy and only tracks nonexpendable items (i.e., items that can be used more than once). This reduced the excess property the Patrol is required to track from 1.2 million expendable and nonexpendable supplies to 34,000 nonexpendable supplies—a 97-percent reduction. An additional 5,000 supplies were eliminated based on discussions with Civil Air Patrol and Air Force supply officials, reducing the number of supplies that should be tracked to 29,000.

To determine whether similar conditions existed in other special programs, we examined recent work by our Office of Special Investigations.

We conducted our review from November 2000 through September 2001 in accordance with generally accepted government auditing standards. We performed our other investigative work during the same period in accordance with investigative standards established by the President's Council on Integrity and Efficiency.

# Appendix II: Descriptions of the Three Special Programs

## Military Affiliate Radio System

The Military Affiliate Radio System is a Department of Defense-funded organization of volunteer amateur radio operators with an interest in military communications. Its beginnings can be traced to 1925 with the formation of the Army Amateur Radio Systems. The Air Force program and the Navy program—which includes the Marine Corps and the Coast Guard—were established in 1948 and 1962, respectively. On November 30, 1968, the Department issued a directive formalizing the composition, the mission, the functions, and the organization of the Military Affiliate Radio System.

Membership requirements for each of the programs are similar: be at least 17 years old, be a U. S. citizen or resident alien, possess a valid Federal Communications Commission license for the frequencies to be used, and agree to participate in Affiliate Radio System activities a minimum of 12 hours every 3 months.

The Affiliate Radio System's mission includes

- providing emergency communications on a local, national, or international basis;
- providing auxiliary communications during periods of emergency and under all hazard conditions;
- creating interest and training Affiliate Radio System members in military communications procedures;
- providing a potential reserve of trained radio communications personnel;
- handling personal communications for Armed Forces personnel stationed throughout the world; and
- conducting an amateur radio program as part of the annual celebration of Armed Forces Day.

Within the past 20 years, its primary mission has shifted from one of handling personal communications to providing emergency and auxiliary communications.

The Office of the Assistant Secretary of Defense for Command, Control, Communications, and Intelligence provides overall policy guidance, but the responsibility for managing and operating the individual Affiliate Radio System programs—including acquiring, storing, distributing, and maintaining accountability over equipment—falls to the secretaries of the military departments. To satisfy this requirement, each of the Affiliate Radio System programs has established a headquarters office and appointed a program chief. The headquarters location and current size of the three programs are shown in table 8.

**Table 8: Military Affiliate Radio System Locations and Membership**

| Program | Office location | Approximate number of volunteer members in 2000[a] |
|---|---|---|
| Army | U. S. Army Signal Command, Fort Huachuca, Arizona | 2,700 |
| Navy | Naval Computer and Telecommunications Command, Washington, D.C. | 1,900 |
| Air Force | Air Force Communications Agency, Scott Air Force Base, Illinois | 1,850 |

[a]This represents volunteer, licensed, amateur radio operators. The Army, Navy, and Air Force Affiliate Radio Systems also have a small number of contingency radio stations staffed by active-duty military, reserve, and National Guard personnel.

Source: Program data.

The Army and Air Force Affiliate Radio System programs are centrally managed from their headquarters; the Navy program is headquartered in Washington, D.C., but day-to-day management is performed at its seven geographic regional headquarters.

In fiscal year 2000, there were 4,600 reutilization organizations. The Army, Navy, and Air Force Affiliate Radio Systems ranked 229th, 266th, and 54th, respectively, as measured by the value of excess property obtained.

## Civil Air Patrol

Congress established the Civil Air Patrol as a federally chartered, private, nonprofit corporation in 1946, and the Patrol is recognized by 10 U.S.C. 9441 as a volunteer civilian auxiliary of the Air Force. As such, the Air Force is authorized to provide financial and material assistance and advice. To accomplish these responsibilities, the Air Force relies on the Civil Air Patrol-Air Force, a unit of the Air Force's Air Education and Training Command that is collocated with the Patrol's national headquarters at Maxwell Air Force Base, Alabama.

The Civil Air Patrol has three primary missions:

Emergency services. The Patrol participates in search and rescue, disaster relief, and humanitarian assistance. The Patrol flies more than 85 percent of all inland search and rescue missions directed by the Air Force. It provides air and ground transportation and communications resources in support of local, state, and federal agencies during disaster relief and humanitarian assistance efforts. The Patrol also provides aerial

reconnaissance and airborne communications support for counter drug operations.

Aerospace education. The Patrol provides its members and the general public an appreciation for and knowledge of aviation and space issues. External programs are primarily conducted through the nation's school systems. Each year, the Patrol sponsors workshops to provide teachers materials on basic aerospace knowledge and advances in aerospace technology to use in their classrooms.

Cadet training. The purpose of the Cadet Program is to provide youth between the ages of 12 and 18 an opportunity to develop their leadership skills through their interest in aviation. Cadets progress through a 15-step program, including aerospace education, leadership training, and physical fitness.

The Patrol is organized into 8 geographic regions consisting of 52 wings—1 wing for each state, Puerto Rico, and the District of Columbia. Wings are then subdivided into groups, squadrons, and sometimes flights, depending on their size. Collectively, there are about 61,000 Patrol members and 1,700 individual Patrol units.

In fiscal year 2000, there were 4,600 reutilization organizations. The Civil Air Patrol ranked 106th, as measured by the value of excess property obtained.

## 12th Congressional Regional Equipment Center

The 12th Congressional Regional Equipment Center was established in 1992 as an infrastructure demonstration project in Cambria County, in western Pennsylvania. Participation in the project by the Department of Defense is mandated.[1] The project's purpose is to assist municipalities and nonprofit organizations in Pennsylvania complete specific public projects that would otherwise be too costly to undertake. The Center acquires Department excess heavy equipment, such as dump trucks, backhoes, front-end loaders, snowplows, forklifts, and rollers, and restores them to acceptable working condition. It then leases the equipment for land reclamation, site preparation, road repair, soil conservation, garbage and snow removal, and other community improvements.

[1] P. L. 102-396, sec. 9148.

The Center leases equipment on a daily, weekly, monthly, or yearly basis and continues to maintain the equipment during the leasing period. Recently, the Center began to provide operators with the equipment for an additional fee and added a lease-with-an-option-to-buy provision. To be eligible to lease equipment, an organization must be governmental or nonprofit and pay a $300 annual membership fee. Since its inception, the Center's membership has increased each year, and in calendar year 2000 it totaled 283 members.

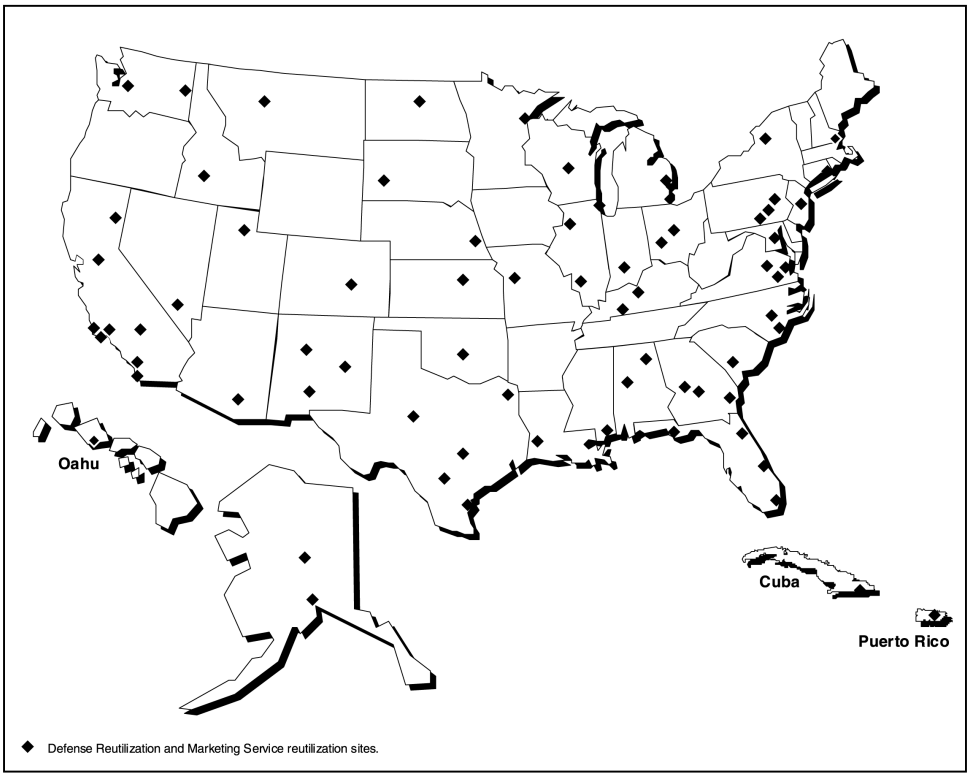
The Center's headquarters is in Blairsville, Pennsylvania. A 12-member Board of Directors oversees the Center; a paid managing director and staff handle day-to-day business activities. The Center's principal sources of revenue were equipment lease fees and auction proceeds.

In fiscal year 2000, there were 4,600 reutilization organizations. The Center ranked 15th, as measured by the value of excess property obtained.

# Appendix III: Location of Defense Reutilization and Marketing Offices

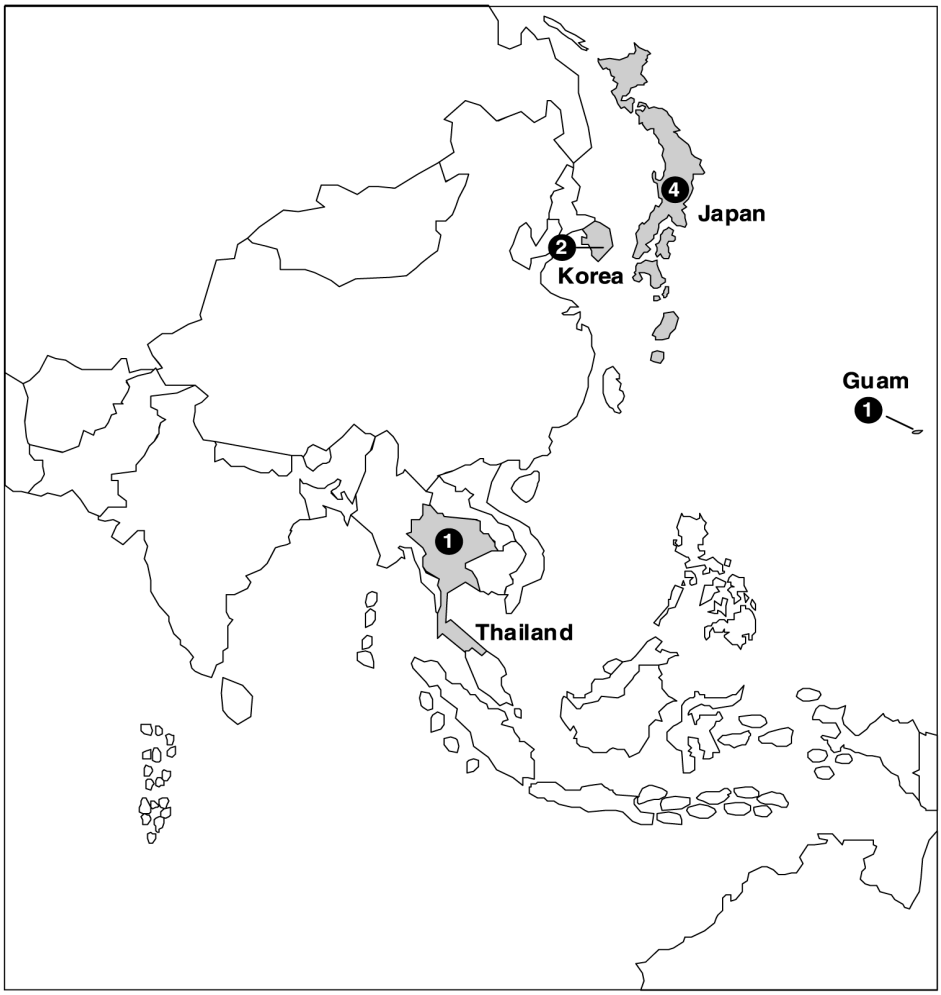
Department of Defense excess property is managed by Defense reutilization and marketing offices located on or near major U.S. military facilities around the world. At the time we concluded our review, there were 97 Defense reutilization facilities (see figs. 6, 7, and 8).

**Figure 6: Defense Reutilization and Marketing Offices in the Western Hemisphere and the Pacific Zone**




Source: Defense Reutilization and Marketing Service.

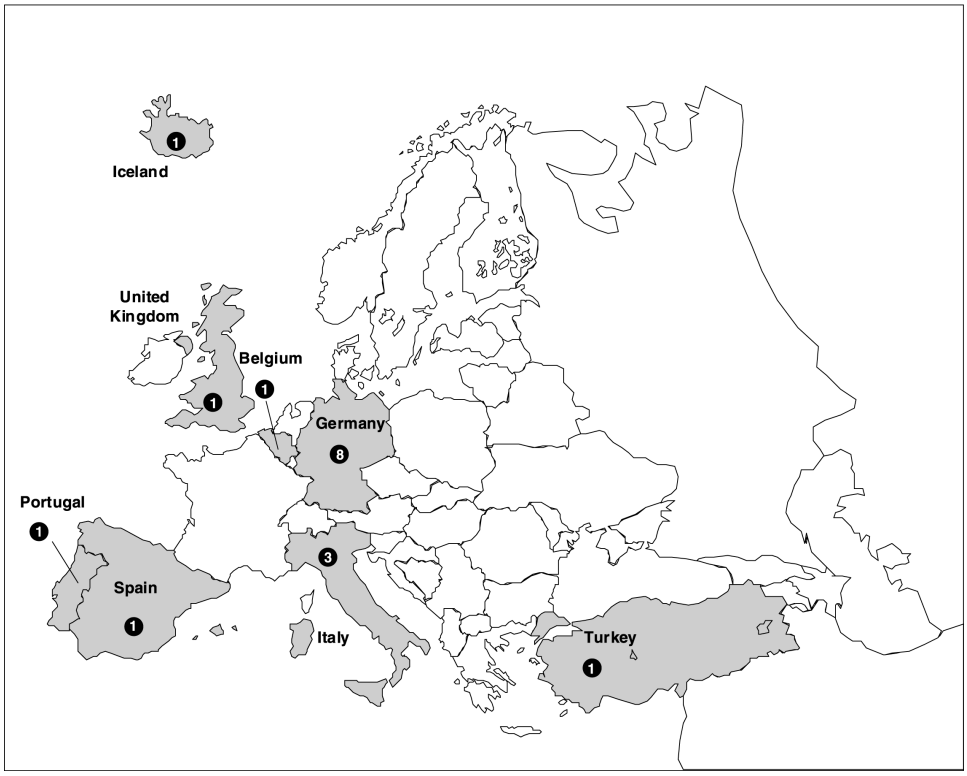
**Figure 7: Defense Reutilization and Marketing Offices in the Southeast and Asia Zones and the Pacific Zone**




Note: The numbers indicate the number of Defense reutilization and marketing offices located in that country.

Source: Defense Reutilization and Marketing Service.

**Figure 8: Defense Reutilization and Marketing Offices in the Atlantic, Central European, and Mediterranean Zones**




Notes:

1. The numbers indicate the number of Defense reutilization and marketing offices located in that country.

2. The locations of two additional sites, United Arab Emirates and Site Alpha, are not included. Site Alpha is a mobile, nonpermanent reutilization facility that is established when and where needed.

Source: Defense Reutilization and Marketing Service.

# Appendix IV: Processes Used by the Department of Defense and Two Special Programs to Track Excess Property

## Military Affiliate Radio System

The three Military Affiliate Radio System programs follow similar procedures to maintain accountability over the excess property issued to their members. Members are held accountable for the property and are expected to safeguard it from misuse, theft, loss, and damage. Further, members cannot modify or remove any part of the equipment without advance approval or dispose of it for personal financial gain. When property is no longer required, it is to be turned in to the nearest Defense reutilization facility, if economically feasible, as determined by Affiliate Radio System officials.

Each Affiliate Radio System program tracks the excess property from the Defense reutilization facilities to its final disposition. The Army and Air Force Affiliate Radio Systems have automated databases to track excess property. Information in these databases links each item to a member and includes the item's name, the national stock number, the acquisition date, and a unique transaction number. To ensure that the information in the databases corresponds with the physical property the members have, the two programs conduct an annual inventory by tasking each property holder to verify the accuracy of the descriptive information in the databases. The Navy Affiliate Radio System tracks excess property at its seven regional headquarters with varying degrees of automation and does not require an annual inventory.

## Civil Air Patrol

Like the Military Affiliate Radio System, the Civil Air Patrol has created an automated database to track its excess property. The database includes an item's name, federal supply class, transaction number, and location, but not its national stock number. Without a national stock number, it is difficult to get information about an item, including whether the item is restricted or hazardous. Patrol officials recognize this deficiency, and they are considering including an item's national stock number in the property database that is under development. The Patrol uses the database to prepare an annual inventory report that is provided to the Air Force. If property held by the Patrol is no longer needed, it is redistributed within the Patrol or returned to a reutilization facility. The Air Force grants waivers on a case-by-case basis to dispose of this property by other means (e.g., landfill and donation) if it is economical to do so. When excess property cannot be accounted for, an investigation is conducted under the stewardship of the wing commander.

## Tracking of Restricted and Hazardous Property

When a Defense activity no longer requires a restricted item, it turns the item over to a Defense reutilization facility. The activity is required to indicate the item's demilitarization code in the accompanying documentation. This code identifies the degree of demilitarization necessary before the item can be released from the Department's control. Reutilization facilities are not supposed to accept any property unless the documentation contains a demilitarization code. When a reutilization facility issues an item, however, its demilitarization code is not included in the accompanying documentation.

An item is not demilitarized if it is transferred to a civilian federal agency, donated to a qualified organization, or reused within the Department. Before a transfer is made, a representative of the civilian agency or donee organization must sign an agreement that outlines the agency's responsibilities for safeguarding the restricted item. An agreement is not required when a restricted item is reused by another Defense agency because the attendant requirements are assumed to be known by the recipient and are enforceable. Because the 12 special programs are considered to be a part of the Department of Defense, they are eligible to receive restricted items—unless program-specific restrictions are imposed—and are not required to execute an agreement. According to the Department's Demilitarization Program Office, like the Department, these programs are responsible for preventing unauthorized access and use of these military-unique and dual-use items.

When an item with hazardous properties is issued, the Defense reutilization facility provides the receiving organization with information on the item's physical and chemical characteristics, the precautions for its safe handling and use, and the environmental and health hazards it poses. We did not assess the ability of the three special programs to store, handle, and dispose of hazardous property in accordance with applicable environmental, health, and safety laws and regulations.

# Appendix V: Comments From the Department of Defense

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

January 23, 2002

Mr. David R. Warren, Director
Defense Capabilities and Management
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Warren:

This is the Department of Defense (DoD) response to the GAO draft report GAO-02-75, DEFENSE INVENTORY: Control Weaknesses Leave Restricted and Hazardous Excess Property Vulnerable to Improper Use, Loss, and Theft, dated October 5, 2001 (GAO Code 350011). It is our understanding that you are considering, for inclusion in the final report, technical comments provided directly by the Defense Logistics Agency and the Army. The DoD generally concurs with the draft report.

Detailed comments on the draft report recommendations are included in the enclosure. The DoD appreciates the opportunity to comment on the draft report.

Sincerely,

Allen W. Beckett
Principal Assistant Deputy Under Secretary of Defense
(Logistics & Materiel Readiness)

Enclosure

**GAO CODE 350011/GAO-02-75**

**"DEFENSE INVENTORY: CONTROL WEAKNESSES LEAVE RESTRICTED AND HAZARDOUS EXCESS PROPERTY VULNERABLE TO IMPROPER USE, LOSS, AND THEFT"**

**DEPARTMENT OF DEFENSE COMMENTS TO THE RECOMMENDATIONS**

**RECOMMENDATION 1:** The GAO recommended that the Secretary of Defense direct the Director of the Defense Logistics Agency (as part of the Department's redesign of its activity code database), to establish a process for rejecting requests for excess property -by federal supply class - that each special program is not eligible to obtain and provide accountable program officers access to appropriate information to identify any inconsistencies between what was approved and what was received.

**DOD RESPONSE:** Partially concur. The program officers of the special programs are responsible for ensuring inconsistencies are minimal and are corrected expeditiously. However, a process for rejecting requests, if determined to be feasible, would assist the program manager in ensuring only valid requests are filled. The Defense Logistics Agency will review the possibility of including a capability to electronically reject requisitions for ineligible property, by federal supply class. If the recommendation to change existing systems is determined not to be feasible, alternative approaches to achieving the intent of this recommendation will be explored.

Currently, the Defense Reutilization and Marketing Service (DRMS) has placed an inventory query on its website that is available to all reutilization customers to assist them in monitoring their reutilization transactions. This query searches by requisition DoD Acquisition Advice Code and includes federal stock classes, demilitarization codes and hazardous property indicators. This query can be modified if the special program has a valid need. This query provides a means for special program officers to have immediate visibility if there is a problem.

**RECOMMENDATION 2:** The GAO recommended that the Secretary of Defense direct the Director of the Defense Logistics Agency to reiterate policy stressing that Defense reutilization facility staff must notify special program officials of the specific tracking and handling requirements of hazardous items and items with military technology/applications.

**DOD RESPONSE:** Concur. The Defense Logistics Agency will reiterate policy as requested by the GAO.

Regarding hazardous materials, Defense Reutilization and Marketing Offices (DRMOs) already provide material safety data sheets (MSDS) and hazardous chemical warning labeling as required by the Occupational Safety and Health Act (OSHA), as well as hazardous classification labeling as required by the Department of Transportation. The OSHA label provides the name of the manufacturer and an emergency telephone number, as well as the types of hazards (i.e. health, contact, fire, reactivity) and any specific hazards or precautions involved in use of the item. It refers the user to the MSDS and recommends such things as protection for eyes, skin, and

respiration. Providing any further handling, which GAO defined in discussions as "the use of the hazardous materiel" is beyond the scope of DLA's mission.

Regarding items with military technology/applications, the DLA will request that the Defense Materiel Disposition Manual (DoD 4160.21-M) be modified. This modification request will recommend inclusion of a Recipient Notification for Demil Code B and Q property and a Demil-Required Recipient Notification and Certification Agreement for Demil Code C, D, E, F, G and P property issued to non DoD-monitored special screeners such as the 12th Congressional Regional Equipment Center.

**RECOMMENDATION 3:** The GAO recommended that the Secretary of Defense ensure that accountable program officers within the Department verify, prior to approving the issuance of excess property, the eligibility of special programs to obtain specific types and amounts of property, including items that are hazardous or have military technology/applications. According to the GAO this could be accomplished, in part, through the Department's ongoing redesign of its activity code database.

**DOD RESPONSE:** Partially concur. As stated in the DoD Response to Recommendation 1, the program officers of the special programs are responsible for ensuring inconsistencies are minimal and are corrected expeditiously. However, a process for rejecting requests, if determined to be feasible, would assist the program manager in ensuring only valid requests are filled. The Defense Logistics Agency will review the possibility of including a capability to electronically reject requisitions for ineligible property, by FSC. If the recommendation to change existing systems is determined not to be feasible, alternative approaches to achieving the intent of this recommendation will be explored.

DRMS has placed an inventory query on its website that is available to all reutilization customers to assist them in monitoring their reutilization transactions. This query includes columns for demilitarization codes and hazardous property indicators. An email containing instructions for pulling the transaction listings has been sent to GAO audit team members, exit briefing attendees, and the 12th Congressional Regional Equipment Center. DLA anticipates that special program officials will use this tool to maintain accountability and oversight of their programs.

**RECOMMENDATION 4:** The GAO recommended that with regard to the 12th Congressional Regional Equipment Center, the Secretary of Defense direct the Director of the Defense Logistics Agency to review and amend, as necessary, its agreement with the Center in the following areas:

- the Center's financial responsibility for the cost of shipping excess property obtained under the experimental project,
- the ancillary items the Center is eligible to receive,
- the rules concerning the sale of property and procedures for the Center to notify the Agency of proposed sales of excess property,
- the Center's responsibility for tracking items having military technology/application and hazardous items, and

- the need for Agency approval of the Center's orders for excess property.

**DOD RESPONSE:** Concur. The Defense Logistics Agency and the 12th Congressional Regional Equipment Center are currently in process of developing a new agreement. Completion of the agreement is pending publication of this final report. The issues highlighted in this recommendation will be addressed in the new agreement.

**RECOMMENDATION 5:** The GAO recommended that with regard to the Army, the Navy, and the Air Force Military Affiliate Radio Systems, the Secretary of Defense direct the Chairman of the Joint Chiefs of Staff to have the Joint Staff Directorate for Command, Control, Communications, and Computer Systems review which items these systems are eligible to receive, on the basis of their mission and needs, and direct each of the Military Affiliate Radio Systems to accurately track excess property, including pilferable items, items with military technology/applications, and hazardous items.

**DOD RESPONSE:** Concur. The Communications & Computer Networks Division (J6T), Joint Staff Directorate for Command, Control, Communications, and Computer Systems, in coordination with ASD(C3I) and Service Military Affiliate Radio Systems Chiefs will review the method of acquiring, tracking, and eventual disposal of excess property by the Military Affiliate Radio System (MARS).

Additionally, the Defense Logistics Agency will review the possibility of including a capability to electronically reject requisitions for ineligible property, by FSC. If the recommendation to change existing systems is determined not to be feasible, alternative approaches to achieving the intent of this recommendation will be explored.

**RECOMMENDATION 6:** The GAO recommended that with regard to the Civil Air Patrol, the Secretary of Defense direct the Secretary of the Air Force to have the Civil Air Patrol-Air Force review which items the Patrol is eligible to receive, on the basis of its mission and needs, and direct the Patrol to accurately track its excess property, including pilferable items, items with military technology/applications, and hazardous items.

**DOD RESPONSE:** Concur. The Air Force had already taken action on the intent of the recommendation prior to this report. On July 12, 2000, the Secretary of the Air Force signed a Cooperative Agreement with the Civil Air Patrol (CAP). It contained a Statement of Work that specified in detail, under the DOD Grant and Agreement Regulations, OMB Circular A-110, the precise tasks and the level of detail with which the CAP must manage. Additionally, the Air Force will work with CAP to modify the Statement of Work to include direct references to or specific language from appropriate Air Force Instructions dealing with excess property, including pilferable items, items with military technology/applications, and hazardous items.

# Appendix VI: Comments From the 12th Congressional Region Equipment Center

12th REC

**12th CONGRESSIONAL REGION EQUIPMENT CENTER**

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Website: www.12threc.com

November 21, 2001

Mr. David R. Warren
Director, Defense of Capabilities and Management Team
United States General Accounting Office
Washington, D.C. 20548

Subject: GAO Draft Report # GAO-02-75

Dear Mr. Warren:

Thank you for providing the 12th Congressional Region Equipment Center (REC) the opportunity to respond to your subject report entitled, Defense Inventory: Control Weaknesses Leave Restricted and Hazardous Excess Property Vulnerable to Improper Use, Loss, and Theft (GAO-02-75). The REC believes the General Accounting Office strongly recognized the REC is a necessary and important program. Further, as has been suggested, the success of the 12th Congressional Region Equipment Center can be improved with a revised contract with DLA.

The GAO has addressed certain items, which have been characterized as ineligible and hazardous property and can be readily resolved with revised contract language in accordance with the terms of a new agreement with DLA. Specifically with regard to the letter dated November 21, 1996, from Colonel Robert W. Ralston, "favoring a more generic listing rather than specific quantities tied to prescribed commodities," this amplification by Colonel Ralston created, for the benefit of the REC, inventory that was more directly related to the needs of the school districts, fire companies, municipalities, and other non-profit corporations which the REC serves pursuant to its enabling Articles of Incorporation as amended.

Imposing a restriction on the quantity of items, which are available to the REC, would impede the ability of the REC to accomplish its mission as described in its enabling legislation. As acknowledged by the General Accounting Office, the members of the REC include municipal government agencies, federal and state agencies, fire departments, school districts, and other 501© non-profit entities, a majority of which are located in the Appalachia region of Pennsylvania. To a certain extent, the existence and perpetuation of the REC is fundamental to the above-referenced entities being able to fulfill its responsibility to the public.

The REC does not have any objection to notifying the DLA prior to any sale. However, if a certain period of time passes without an action being taken by the DLA, the proposed sale should be understood to be approved. Relative to the shipping costs; the REC

unequivocally agrees that these costs should not be imposed upon the REC, where the Recycling Control Point program provides shipping costs to other identified Department of Defense projects.

The acceptance of items later determined to be ineligible per the agreement with DLA, we believe to be the result of miscommunication between the REC and the Defense Reutilization Marketing Offices (DRMO). Initially, the DRMO's were rejecting some equipment requested from the REC because these items were not on the list of equipment subsequent to the receipt of correspondence from DLA which increased the amount of equipment and types of equipment the REC was allowed to have. The DRMO's allowed the REC to receive all requested equipment.

The REC anticipates its new contract with DLA will include a broader base of items to be transferred to better accommodate various 501 © non-profit entities which the REC serves. The REC strongly believes that items such as paper products, fire fighting supplies, etc…are fundamental to the REC providing an added value service to 501© entities. The ability to sell these items provides the REC with the opportunity to demonstrate to various members what is available at the REC and gives it the opportunity to lease equipment to those entities. The memorandum received from Colonel Charles W. Masters, dated December 23, 1994, specifically enables the REC to sell its members oil, grease and other supplies.

There are certain items that had been considered to be hazardous items, which the REC had authorization to maintain as part of its inventory including, but not limited to oil, antifreeze, etc. This is evidenced by the memo from Colonel Charles W. Masters, dated December 23, 1994.

GAO has acknowledged the REC's contract with DLA was amended to included all 501© non-profit organizations versus the original agreement that included only 501©3 non-profit organizations. As a result of this substantial change, the need for the REC to possess various items available for lease to these entities changed in order to accommodate its members. For example: passenger vans were needed for church youth groups and boy scout troops; fire-fighting equipment was fundamental to the operation of the fire departments.

Again, we appreciate the opportunity to provide our input to the draft report. If there are any additional questions concerning the information provided, please do not hesitate to contact our office at (724) 459-8575.

Sincerely,

Gary W. Stuchal

Gary W. Stuchal
Managing Director

tjd

# Appendix VII: GAO Staff Acknowledgments

## Acknowledgments

In addition to those named above, Lawson Gist, Jr.; John J. Ryan; Marc J. Schwartz; David S. Epstein; Richard C. Newbold; Norman M. Burrell; George J. Ogilvie; Carin M. Wyche; John G. Brosnan; Alan S. Goldberg; Kord H. Basnight, Peter Iannicelli, Stefano Petrucci, and Frank A. Papineau, Jr. made key contributions to this report.

# Related GAO Products

*Inventory Management: Better Controls Needed to Prevent Misuse of Excess DOD Property* (GAO/OSI/NSIAD-00-147, Apr. 28, 2000).

*Concerns Raised About Use of Unreconciled Activity Codes to Requisition New and Excess Government Property* (GAO-01-86R, Dec. 6, 2000).

*Department of the Army: Unauthorized Activity Codes Used to Requisition New DOD Property* (GAO-01-85R, Dec. 6, 2000).

*Department of the Air Force: Unauthorized Activity Codes Used to Requisition New and Excess DOD Property* (GAO-01-196R, Jan. 8, 2001).

*Department of the Navy: Unauthorized Activity Codes Used to Requisition New and Excess DOD Property* (GAO-01-206R, Jan. 8, 2001).

*General Services Administration: Unauthorized Activity Codes Used to Requisition New and Excess Government Property* (GAO-01-221R, Jan. 8, 2001).

*High-Risk Series: An Update* (GAO-01-263, Jan. 2001).

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