United States General Accounting Office

GAO

Report to the Chairman, Committee on Armed Services, House of Representatives

November 1999

DEFENSE INVENTORY

Inadequate Compliance With Controls for Excess Firearms and Other Sensitive Items

GAO

Accountability * Integrity * Reliability

GAO/NSIAD-00-27

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

National Security and
International Affairs Division

B-282574

November 29, 1999

The Honorable Floyd D. Spence
Chairman, Committee on Armed Services
House of Representatives

Dear Mr. Chairman:

This is the fourth and final report in a series of reports responding to your request that we review the Department of Defense's management procedures for controlling excess items. We previously reported on the Department's needless destruction[1] of certain usable aircraft parts, on inappropriate sales of parts with military technology and flight safety risks, and on items not being properly controlled during shipment to disposal.[2]

This report responds to your request that we review the Department's management controls for three types of sensitive excess items–firearms, items that are protected for national security reasons such as those with precision guidance technologies, and pharmaceuticals.[3] Specifically, we evaluated compliance with internal control procedures for (1) safeguarding excess firearms, items with national security implications, and pharmaceuticals and (2) recording the removal of such items from inventory records. Controlling these items is particularly important because they include military technologies and capabilities and are vulnerable to theft.

[1] The Department refers to the destruction of military items, either by partial or total destruction that makes the item unfit for its originally intended purpose, as demilitarization.

[2] *Defense Inventory: Management of Surplus Usable Aircraft Parts Can Be Improved* (GAO/NSIAD-98-7, Oct. 2, 1997), *Defense Inventory: Action Needed to Avoid Inappropriate Sales of Surplus Parts* (GAO/NSIAD-98-182, Aug. 3, 1998), and *Defense Inventory: Property Being Shipped to Disposal Is Not Properly Controlled* (GAO/NSIAD-99-84, July 1, 1999).

[3] The Department refers to firearms as "small arms." Small arms are defined as handguns; shoulder-fired weapons; light automatic weapons up to and including 50-caliber machine guns; recoilless rifles up to and including 106 millimeter; mortars up to and including 81 millimeter; portable rocket and grenade launchers; and individually operated weapons that are portable and can be fired without special mounts or firing devices. Pharmaceuticals are drugs or other controlled substances requiring storage in a vault or safe.

Department internal control regulations require that defense components safeguard sensitive excess items and accurately record the location of these items in inventory records. To achieve this, Department regulations require separating work assignments, documenting item destruction events, and recording excess item serial numbers on shipping documents. The Department depends on its components to develop local procedures and instructions for implementing these regulations. The Department also depends on the component that has the excess firearms, items with national security implications, and pharmaceuticals to destroy and/or dispose of them and to record the transactions in inventory records. The Department uses other procedures for disposing of less sensitive excess items that involve sending the items to local disposal offices. To determine if the Department's safeguarding and recording procedures were being followed, we judgmentally selected and reviewed 107 transactions valued at $3.9 million of excess firearms, items with national security implications, and pharmaceuticals disposed by defense components. The scope and methodology of our work are described in greater detail in appendix I.

Results in Brief

Internal control procedures designed to protect firearms, items with national security implications, and pharmaceuticals were not always followed at three of the seven defense components we visited. Instead of being separated, key duties in the areas of transport, destruction, and record keeping were done by the same person. Required certifications that sensitive excess items were actually destroyed were missing. Also, serial numbers were not always recorded on shipping documents as required. Although we were able to account for the items in 104 of 107 transactions reviewed, we were unable to trace the actual disposition of the items in 3 transactions. These included a digital computer used for defensive countermeasures on the E-2 aircraft, a high power simulator used to test early warning systems on aircraft, and 18 computers used for guiding air or surface launched MK-46 torpedoes to a target. While the number of these items potentially lost or stolen is small relative to total defense inventory, it is still of concern because they could be misused if they get in the wrong hands. The Department believed that the items involved in the three transactions had been destroyed, but it could not be certain since no documentation existed that would support its position.

When firearms, items with national security implications, and pharmaceuticals become excess and are no longer needed, Department procedures require the component to destroy them and to remove the items from inventory records by coding the transactions as "inventory

decreases associated with destruction of the item." However, defense components have been removing these items from inventory records by recording these transactions as "items being shipped to a disposal office." None of the items, however, were actually shipped to a disposal office. Inventory, shipping, receipt, and disposal records showed that the items were instead destroyed or disposed of by the defense component that had the items. These transactions were incorrectly recorded because of mistakes and unsupported inventory adjustments that occurred because of inadequate management oversight and training and computer system programming errors. For example, for the 12-month period ending March 31, 1998, the disposition of almost $99 million of excess firearms, items with national security implications, and pharmaceuticals was incorrectly recorded in the Department's inventory records. This incorrect information on the location of excess sensitive items was automatically provided to the Department's In-transit Accountability System, causing the system's reports to be erroneous and diminishing their value as a tool for tracking excess items.

To improve controls over these sensitive excess items, we are recommending that the Secretary of Defense direct defense components to follow the Department's procedures, provide increased management oversight and training on record keeping procedures, and correct computer programming errors.

Background

The Department's procedures for disposing of excess nonsensitive property and most sensitive property with military technologies involve sending the items to local disposal offices and recording the transactions as shipments to the disposal offices.[4] Unlike the items that are sent to disposal offices for disposition, the Department requires excess firearms, items with national security implications, and pharmaceuticals to be destroyed and disposed by the component that has the items and for recording the transactions as "inventory decreases associated with the destruction of the item." The Department does not maintain information on the amounts of these excess sensitive items, but it estimates that annually it could be several hundred million dollars.

[4] The Department also uses other sets of procedures for destroying and disposing of excess ammunition and explosives and chemical and nuclear weapons.

Physical security over excess firearms, items with national security implications, and pharmaceuticals is more stringent than for other excess nonsensitive and sensitive items. Specifically, access to firearms is limited to authorized personnel and controlled by individual serial numbers at a central registry and at base and unit level registries. Items with national security implications and pharmaceuticals are stored separately from other material in a limited access area and secured under an approved locking system. Items with national security implications are also controlled by serial number at the unit level. Firearms, items with national security implications, and pharmaceuticals must be physically inventoried quarterly and missing items must be accounted for.

The Department's problems with accountability over firearms, items with national security implications, and pharmaceuticals date back to the 1970s when many thefts of such items were discovered. The Department has developed procedures to control such items, but according to the Department's and our audits, these procedures and their implementation are not always effective. For example, in March 1999, we reported that sensitive Navy items, including items with national security implications, were vulnerable to loss or undetected theft because the Navy did not follow control procedures.[5] Further, we, the Department's Inspector General, and service auditors have reported on the Department's ineffective asset control and accountability procedures leaving items vulnerable to loss or theft.[6]

Section 503 of the Antiterrorism and Effective Death Penalty Act of 1996 required the Attorney General and the Secretary of Defense to conduct a joint study of the number and extent of thefts from military arsenals of firearms and other materials that are potentially useful to terrorists. The Department's reported losses are not extensive relative to the total inventory of these items but are still a concern because of their potential danger should they get into the hands of terrorists or foreign countries. Specifically, the Department's 1998 report under the act disclosed

[5] *Defense Inventory: Navy's Procedures for Controlling In-transit Items Are Not Being Followed* (GAO/NSIAD-99-61, Mar. 31, 1999).

[6] See our reports *DOD Financial Management: More Reliable Information Key to Assuring Accountability and Managing Defense Operations More Efficiently* (GAO/T-AIMD/NSIAD-99-145, Apr. 14, 1999), *Financial Management: Better Controls Essential to Improve the Reliability of DOD's Depot Inventory Records* (GAO/AIMD-99-132, June 28, 1999), and *Inventory Management: Vulnerability of Sensitive Defense Material to Theft* (GAO/NSIAD-97-175, Sept. 19, 1997).

117 instances of losses of firearms and other materials of potential use to terrorists during the period October 1992 through November 1996.[7] Many of those losses occurred during training exercises, but 69 of the losses (59 percent) were attributed to theft and were never located. For example, nine thefts reported during fiscal year 1996 involved firearms, including a machine gun, which are still missing.

Inadequate Compliance With Internal Controls Leaves Excess Sensitive Items Vulnerable to Loss or Theft

Department regulations, which set up internal controls to safeguard excess firearms, items protected for national security reasons, and pharmaceuticals, were not always followed. Defense components at three of the seven sites we visited did not follow the Department's internal control regulations. Specifically, (1) key duties in the areas of transport, destruction, and record keeping were done by the same person instead of being separated, (2) required certifications were missing from forms used to control the destruction of excess items protected for national security reasons, and (3) serial numbers were not always recorded on shipping documents. These conditions leave excess firearms, items protected for national security reasons, and pharmaceuticals vulnerable to loss or theft. For example, we were able to account for items in 104 of the 107 sample transactions reviewed. However, for three transactions, we could not trace the actual disposition of the items. The Department believes that the items involved had been destroyed, but it could not be certain since no documentation existed that would allow additional research.

Key Duties Not Separated

Department regulations require key duties in the areas of transport, destruction, and accounting for excess items protected for national security reasons to be done by different people. However, at the Defense Distribution Depot in San Diego, California, the same person did these duties for the 24 Navy transactions we reviewed that included depth calculating and submarine countermeasure equipment. The employee transported the items several miles to a destruction site, destroyed the items, and upon returning to the depot, prepared the destruction documents from the list of items that were supposed to be on the truck. He then certified that the items had been destroyed. No independent check was made to determine if all items had been transported and destroyed.

[7] This was a one-time reporting requirement and the most current information available.

Depot officials explained that excess items had been handled in this manner for 20 years.

Destruction Certifications Were Missing

A Department regulation requires that both the person that destroys military items and a government technical representative sign and date a certification that the items were destroyed. At the Naval Undersea Warfare Center in Keyport, Washington, we reviewed 17 transactions involving excess items protected for national security reasons disposed of by the Center during 1997 and 1998. Personnel at the Center's excess, reutilization, and recycling site annotated on each shipping document the type of destruction action (e.g., shredding) performed on an item and the date of the action. However, neither the personnel at the site nor a government representative certified that the item was destroyed as required by Department regulations. For one transaction involving 18 computers used for guiding air or surface launched MK-46 torpedoes to a target, there was no annotation or destruction certification. Center officials believe the computers in question were destroyed, but they could not be sure due to the control weaknesses. Center officials told us that they are developing additional instructions for their personnel to ensure that the Department's regulation is followed. This action will improve the Center's control of excess items protected for national security reasons.

For 23 of 24 transactions we reviewed involving disposal of excess Navy items protected for national security reasons held by the Defense Distribution Depot in San Diego, California, the depot provided destruction certifications. No destruction certification existed for one item, a digital computer used for defensive countermeasures on the E-2 aircraft with technologies that could be used against the Department's forces by a foreign military. Depot officials speculated that the computer had been destroyed and that the destruction certification had been misplaced.

At the Defense Distribution Depot in Norfolk, Virginia, we reviewed two transactions involving excess items to be protected for national security reasons and recorded as disposed of by the depot during 1998. The depot still had the items in its warehouse for one of the two transactions. However, there was no destruction certification for the other item, a high power simulator used to test early warning systems on Navy aircraft. Depot officials believe that the simulator had been destroyed and that the certification had been misplaced because there was an annotation on a logbook that the item was destroyed. However, the officials could not be certain this was the case.

Serial Numbers Not Recorded on Shipping Documents

When excess items protected for national security reasons are shipped, Department regulations require the serial number of each item to be annotated on the shipping document. At the Naval Undersea Warfare Center in Keyport, excess items to be protected for national security reasons such as guidance systems on torpedoes and related shipping documents were accumulated together on pallets for transport to the Center's excess, reutilization, and recycling site. Material movement documents[8] did not identify either the shipping documents or the serial numbers of the items on the pallets. Instead, the items were identified as a "pallet," resulting in a loss of control over the individual items. Thus, the Center had no assurance either that the pallet included all items that were supposed to be sent or that all items arrived at the excess, reutilization, and recycling site. Center officials told us that earlier this year they recognized that their local procedures for implementing the Department's regulation were deficient and that a moratorium was placed on disposing of items to be protected for national security reasons until improved procedures could be developed. Center officials told us additional instructions are being developed to ensure that the Department's regulation is followed.

Inadequate Oversight and Training Cause Continuing Inaccuracies in Accountability System Reports

When firearms, items with national security implications, and pharmaceutical items become excess and are no longer needed, Department procedures require the defense component with the items to destroy[9] them and to remove the items from inventory records by coding the transactions as "inventory decreases associated with destruction of the items." However, the components have been removing the items from inventory records by recording these transactions as "items being shipped to a disposal office." None of the items, however, were actually shipped to a disposal office. Inventory, shipping, receipt, and disposal records showed that the items were instead destroyed or disposed of by the component that had the items. These items were incorrectly recorded because of mistakes and unsupported accounting adjustments that occurred because of inadequate management oversight and training and computer system programming errors. In both cases, the items could be deleted from the component's inventory records. However, when the items were recorded as

[8] The Naval Undersea Warfare Center used a locally developed material movement document known as Form 4430/4.

[9] These excess items may be destroyed on site, transported to another defense location for destruction, or turned over to a contractor for destruction.

"items being shipped to a disposal office" information was automatically provided to the Department's In-transit Accountability System, causing the system's reports to be erroneous and diminishing its value as a tool for tracking excess items.

We evaluated 107 transactions involving $3.9 million of items defense components had recorded in their inventory records as having been shipped to disposal offices. None of the items were actually sent to disposal offices. Inventory, shipping, receipt, and disposal records showed that the items instead were incinerated, shredded, or otherwise destroyed by defense components.[10] Thus, the transactions should have been recorded as inventory decreases associated with destruction of the items. Table 1 shows the number of sample transactions in which the disposition of the items was incorrectly recorded in inventory records and the reasons.

Table 1: Reasons Item Disposition Was Incorrectly Recorded

Reason for incorrect coding	Number of occurrences
Coding mistakes	46
Unsupported accounting adjustments	12
Programming errors	49
Total	**107**

The items were incorrectly recorded in inventory records because (1) personnel were not adequately trained on inventory transaction procedures and had mistakenly coded destroyed items as being sent to disposal offices, (2) personnel had made unsupported accounting adjustments to write off the items and make their books balance, and (3) the depot inventory system was programmed to automatically record all excess items as being sent to a disposal office, including sensitive items destroyed by the services. An underlying cause of these conditions was that management officials had not monitored the excess items transactions as close as they should have.

[10] For three transactions, we could not trace the actual disposition of the items.

Coding Mistakes

Personnel at some locations were not adequately trained on inventory transaction procedures and had mistakenly coded excess firearms, items protected for national security reasons, and pharmaceuticals as sent to disposal offices. Specifically, records on 23 pharmaceutical transactions, including over one-quarter million dosages of morphine, showed that personnel at the Defense Supply Center, Philadelphia, Pennsylvania, had entered data in the inventory system that these drugs were sent to the local disposal office. Our review showed that none of these items were actually shipped to the disposal office. Inventory, shipping, receipt, and disposal records showed that the Defense Distribution Depot in Susquehana, Pennsylvania, where the drugs were stored, incinerated all drugs contained in the 23 shipments. Depot officials told us that the transactions should have been coded as inventory decreases due to destruction instead of shipments to the disposal office and should not have been recorded in the In-transit Accountability System. The officials told us they would correct the situation by providing instructions and training to personnel on transaction recording procedures.

Records on 17 transactions involving excess items protected for national security reasons showed that personnel at the Naval Undersea Warfare Center had entered data in the inventory system that showed the items were sent to the disposal office at Fort Lewis, Washington. Our review showed that none of these items were actually shipped to a disposal office. Inventory, shipping, receipt, and disposal records showed that the items were sent to and received by a private company to be destroyed in accordance with a contract between the company and the Center. During the 12-month period ending May 18, 1999, the Naval Undersea Warfare Center generated excess items protected for national security reasons totaling $10.3 million that were incorrectly coded as shipped to the Fort Lewis disposal office and automatically provided to the In-transit Accountability System. Center officials told us that the transactions should have been coded as inventory decreases due to destruction instead of shipments to the disposal office and should not have been recorded in the In-transit Accountability System. The officials told us they would correct the situation by providing instructions and training to personnel on transaction recording procedures.

Records on six transactions involving firearms showed that Marine Corps personnel at Camp Lejeune, North Carolina, had incorrectly coded the transactions into their inventory system as shipments to the local disposal office and their system automatically provided the incorrect information to the In-transit Accountability System. Our review showed that none of these

items were actually shipped to the disposal office, but were sent to Marine Corps Logistics Bases in Albany, Georgia, and Barstow, California, for disposition. The transactions should have been coded as "item relocated to another storage site."

Unsupported Accounting Adjustments

Personnel at some locations had made unsupported accounting adjustments to write off the items and make their books balance. Specifically, records on four firearms transactions showed that personnel at Fort Hood, Texas, had entered data in the inventory system that these firearms, including eight machine guns, were sent to the local disposal office, which is not authorized to accept firearms. Our review showed that none of these items were shipped to the disposal office. Army officials told us that these four transactions occurred when they discovered that the firearms were listed in their inventory records but were no longer on hand. No investigation was made to determine what had happened to the firearms. Personnel simply entered a "shipment to a disposal office" transaction code to write off the items and make their books balance. We also found eight transactions where Texas Army National Guard units had entered a "shipment to a disposal office" transaction code to write off firearms and make their books balance. After further review, we found that the firearms included in the four transactions at Fort Hood and the eight transactions by Texas Army National Guard units had been sent to and received by the Anniston and Rock Island Army Depots. The transactions should have been coded as "item relocated to another storage site." Officials told us that the transactions occurred when they were transitioning to a new inventory system and did not get entered into the new system.

Computer Programming

At three locations we visited, computer programming caused excess sensitive items to be mistakenly recorded as sent to disposal offices. Specifically, records on 24 transactions involving items protected for national security reasons showed that the Defense Distribution Depot in San Diego had recorded the transactions in its inventory system as shipments to the disposal office at San Diego. Our review showed that none of these items were shipped to the disposal office. Depot officials told us that when the Navy item manager entered the transactions into their system to notify the depot that the items were excess, their system coded the transactions as shipments to a disposal office. The officials stated that, no matter how sensitive the excess item is, the depot system automatically

assigns a code to ship excess items to a disposal office even though their more sensitive items are destroyed.

Records on nine pharmaceutical transactions and two transactions involving items protected for national security reasons at the Norfolk Distribution Depot showed that the depot had recorded in its inventory system that the items were sent to the local disposal office. Our review of inventory, shipping, receipt, and disposal records showed that none of these items were actually shipped to the disposal office but either were in inventory awaiting disposal or were destroyed. Depot officials said that when the item manager entered the transactions into their system to notify the depot that the items were excess, the depot system automatically coded the transactions as shipments to a disposal office. The officials said that even though disposal offices cannot accept items protected for national security reasons and controlled drugs, the depot system automatically assigns a code to ship all excess items to a disposal office regardless of the sensitivity of the item. The same situation existed for 14 transactions involving items protected for national security reasons at the Defense Distribution Depot in Tobyhanna.

Conclusions

The Department's controls over excess firearms, items protected for national security reasons, and pharmaceuticals are weakened because personnel do not follow the Department's control procedures, leaving the items vulnerable to loss or theft. Key duties in the areas of transport, destruction, and record keeping were done by the same person instead of being separated, required certifications were missing from forms used to control the destruction of excess items protected for national security reasons, and serial numbers were not always recorded on shipping documents. Further, personnel are not adequately trained to record the disposition of these items and flawed computer programming logic caused records to show that sensitive items were sent to disposal offices when the items were not actually sent there. Also, management oversight of the transactions was lax leading to noncompliance with internal control procedures and inaccurate in-transit accountability reporting. Given the national security implications of the items and the control weaknesses noted, these matters warrant serious attention.

Recommendations

We recommend that the Secretary of Defense direct the Secretaries of the Air Force, Army, and Navy and the Director, Defense Logistics Agency, to

follow Department procedures for safeguarding excess firearms, items protected for national security reasons, and pharmaceuticals and require periodic reviews to ensure that the procedures are followed so that key duties in the areas of transport, destruction, and record keeping are separated, required destruction certifications are prepared, and serial numbers are recorded on shipping documents. We also recommend that the Secretary of Defense improve the reporting accuracy of the Department's In-transit Accountability System by directing particular attention to training personnel and increased management oversight of inventory transaction procedures and to correcting computer system programming errors.

Agency Comments

The Deputy Under Secretary of Defense (Logistics) provided written comments for the Department on a draft of this report. They are included in appendix II. The Department concurred with the report and its recommendations and recognized the importance of safeguarding firearms, items protected for national security reasons, and pharmaceuticals. The Deputy Under Secretary stated that the Department will emphasize in a memorandum to the service secretaries and the Director, Defense Logistics Agency, the need to follow proper procedures and conduct periodic reviews to ensure that key duties are separated, required destruction certifications are prepared, and serial numbers are recorded on shipping documents. Also, the Department has established a task force under the Joint Logistics Commander's Materiel Management Group to revise the system used to control property in transit to disposal and enhance associated procedures and training. The estimated completion date for the development of recommendations by the task force is the second quarter of fiscal year 2000.

As arranged with your office, we plan no further distribution of this report until 10 days from its issue date unless you publicly announce the report's contents earlier. At that time, we will send copies of this report to the appropriate congressional committees; the Honorable William S. Cohen, Secretary of Defense; the Honorable Louis Caldera, Secretary of the Army; the Honorable Richard Danzig, Secretary of the Navy; the Honorable F.W. Peters, Secretary of the Air Force; Lieutenant General Henry T. Glisson, Director, Defense Logistics Agency; and the Honorable Jacob Lew, Director, Office of Management and Budget.

Please contact me at (202) 512-8412 if you or your staff have any questions concerning this report. Key contributors to this report are listed in appendix III.

Sincerely yours,

David R. Warren, Director
Defense Management Issues

Scope and Methodology

To determine the Department of Defense's compliance with internal control procedures for safeguarding excess firearms, items with national security implications, and pharmaceuticals that the military services are required to dispose of, we met with officials and performed work at the Office of the Deputy Under Secretary of Defense (Logistics), Washington, D.C.; Army, Navy, Marine Corps, and Air Force Headquarters, Washington, D.C.; the Defense Logistics Agency, Fort Belvoir, Virginia; and the Defense Reutilization and Marketing Service, Battle Creek, Michigan. We also reviewed policies, procedures, disposal and transaction histories, and related records obtained during visits to the following seven sites: the Defense Supply Center, Philadelphia, Pennsylvania; the Defense Distribution Depots in San Diego, California, Norfolk, Virginia, and Tobyhanna, Pennsylvania; Army III Corps, Fort Hood, Texas; the 2nd Marine Division, the 2nd Force Service Support Group, and Marine Corps Base, Camp Lejeune, North Carolina; and the Naval Undersea Warfare Center, Keyport, Washington. We also collected information from the Naval Inventory Control Point, Philadelphia, Pennsylvania; the Defense Distribution Depot, Susquehana, Pennsylvania; the Rock Island Arsenal, Rock Island, Illinois; and Army National Guard units in Austin, Fort Worth, and Terrell, Texas.

To determine the Department of Defense's compliance with internal control procedures for recording the removal of firearms, items with national security implications, and pharmaceuticals, we used both data obtained during our prior work and new data. Specifically, we identified 1,700 transactions of excess firearms, items protected for national security reasons, and pharmaceuticals valued at $98.9 million that had been reported as sent to disposal offices by the Department's In-transit Accountability System report for the 12-month period ending March 31, 1998. To have the most current and complete accountability data available, we obtained computerized records from the system showing transactions that occurred between January 1998 and February 1999. We identified 2,612 transactions valued at $143 million of excess firearms, items protected for national security reasons, and pharmaceuticals that were reported as sent to disposal. Using both sets of data, we judgmentally selected for review 107 transactions valued at $3.9 million. We selected these transactions based on the military sensitivity of the items in the shipments. We selected and reviewed 18 transactions of firearms, 57 transactions of excess items protected for national security reasons, and 32 transactions of pharmaceuticals. We used these 107 transactions to determine why the In-transit Accountability System included excess firearms, items protected for national security reasons, and pharmaceuticals as sent to disposal

offices when these items are supposed to be disposed by the military services and to determine if the material was missing. We did not independently verify the overall accuracy of the Department's database from which we obtained data but used it as a starting point for selecting shipments that we then tracked back to inventory, shipping, receipt, and disposal records and documents on individual transactions.

For each sample transaction, we analyzed inventory records, researched shipment records, and held discussions with service and Defense Logistics Agency personnel at the locations selected. Such information provided the basis for conclusions regarding the management controls over excess firearms, items protected for national security reasons, and pharmaceuticals that the military services are required to dispose.

We used the same computer programs, reports, records, and statistics that the Department, the military services, the Defense Logistics Agency, and the Defense Reutilization and Marketing Service use to control excess items that the military services are required to dispose. We did not independently determine the reliability of all these sources.

For historical perspective and illustrations of past problems, we reviewed the results of prior defense studies and the Department's Inspector General reports. We also used documentation and data obtained during prior work on disposal operations.

We performed our review from April through August 1999 in accordance with generally accepted government auditing standards.

Comments From the Department of Defense

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON DC 20301-3000

ACQUISITION AND TECHNOLOGY

NOV 8

(L/SCI)

Mr. David R. Warren
Director, Defense Management Issues
National Security and International
Affairs Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Warren:

This is the Department of Defense (DOD) response to the General Accounting Office (GAO) Draft Report, "DEFENSE INVENTORY: Inadequate Compliance With Controls for Excess Firearms and Other Sensitive Items," Dated October 5, 1999 (GAO Code 709400/OSD Case 1907). The DoD concurs with the draft report.

The Department concurs with your recommendations in the draft report. We recognize the importance of safeguarding excess firearms, items protected for national security reasons, and pharmaceuticals. In addition, a task force has been established under the Joint Logistics Commander's Materiel Management Group to revise the DoD Disposal In-Transit Control System and enhance associated procedures and training.

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

Sincerely,

for Roger W. Kallock
Deputy Under Secretary
of Defense(Logistics)

Attachment

GAO DRAFT REPORT – DATED OCTOBER 5, 1999
(GAO CODE 709400) OSD CASE 1907

"DEFENSE INVENTORY: INADEQUATE COMPLIANCE WITH CONTROLS FOR EXCESS FIREARMS AND OTHER SENSITIVE ITEMS"

RECOMMENDATIONS

Now on p. 13.

RECOMMENDATION 1: The GAO recommended that the Secretary of Defense direct the Secretaries of the Air Force, Army, and Navy and the Director, Defense Logistics Agency to follow Department procedures for safeguarding excess firearms, items protected for national security reasons, and pharmaceuticals and require periodic reviews to ensure that its procedures are followed so that key duties in the areas of transport, destruction, and record keeping are separated, required destruction certifications are prepared, and serial numbers are recorded on shipping documents. (pp. 12/GAO Draft Report)

DoD RESPONSE: Concur: The Department recognizes the importance of safeguarding excess firearms, items protected for national security reasons, and pharmaceuticals. The Department will emphasize in a memorandum to the Service Secretaries and the Director, Defense Logistics Agency, the need to follow proper procedures and conduct periodic reviews to ensure that key duties are separated, required destruction certifications are prepared, and serial numbers are recorded on shipping documents. It is anticipated that the memorandum will be provided to the Services Secretaries, and the Director, Defense Logistics Agency by November 30, 1999.

Now on p.14.

RECOMMENDATIONS 2: The GAO recommended that the Secretary of Defense improve the reporting accuracy of the Department's In-transit Accountability System by directing particular attention to training personnel and increased management oversight of inventory transaction procedures, and to correcting computer system programming errors. (pp. 12/GAO Draft Report)

DoD RESPONSE: Concur. A task force has been established under the Joint Logistics Commander's Materiel Management Group to revise the DoD Disposal In-Transit Control System and enhance associated procedures and training. The estimated completion date for the development of recommendations by the task force is the second quarter FY 2000.

GAO Contacts and Staff Acknowledgments

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Acknowledgments

In addition to those named above, Jackie L. Kriethe, Anthony B. Radford, David A. Schmitt, Patricia F. Blowe, and Robert C. Sommer made key contributions to this report.

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