FOREIGN MILITARY SALES

Improved Army Controls Could Prevent Unauthorized Shipments of Classified Spare Parts and Items Containing Military Technology to Foreign Countries

Why GAO Did This Study
From 1993 through 2002, the Department of Defense (DOD) delivered over $150 billion in services and defense articles—including classified spare parts and unclassified items containing military technology—to countries through foreign military sales programs. GAO was asked to review whether the Army's key internal controls adequately restricted blanket orders for (1) classified spare parts and (2) unclassified items containing military technology. GAO was also asked to determine if periodic tests were conducted to validate the Army's system and its logic.

What GAO Found
The Army's internal controls over foreign military sales are not adequate, placing classified spare parts and unclassified items containing military technology at risk of being shipped to foreign countries that may not be entitled to receive such items under blanket orders. Foreign countries may request items using blanket orders, which are for a specific dollar value and are used to simplify supply actions on certain categories of items. The internal control inadequacies follow:

• The Army lacked control edits in its system and allowed the substitution and release of classified spare parts under blanket orders for shipment to foreign countries. The Army and DOD policies prohibit the release of classified items, under blanket orders, to foreign countries. GAO identified 3 requisitions in its review, where the item manager released 11 classified digital processors to foreign countries under blanket orders. Because the Army's system did not have control edits in place to validate the substituted parts, classified items were released to foreign countries. Also, the Army has no written policy to determine the actions needed to recover classified items that have been shipped to countries not eligible to receive them. Army officials indicated that the countries were not entitled to receive these items under blanket orders but they could obtain them under a different process; so there is no need to retrieve them, and GAO agreed with their decision. Also, the Army has modified the system to validate substituted parts selected by item managers.

• The Army lacks control edits in its system to prevent the release of some unclassified items containing military technology requisitioned under blanket orders. Within the 21,663 requisitions that were shipped without a review, GAO found that 387 requisitions were for 2,267 restricted items that foreign countries are prohibited from requesting using blanket orders because the parts require release authority from inventory control points. Also, the Army has no written policies to recover items that have been shipped to countries not eligible to receive them. Army officials said the countries were entitled to request these items, so there is no need to recover the items.

• The Army has not conducted periodic tests, as required, to validate that its system is accurately reviewing and approving blanket order requisitions. GAO's and the Office of Management and Budget's internal control standards require that a system such as the Army's be periodically tested to ensure that it is working as intended. According to DOD and Army officials, they have not tested the system's logic for restricting requisitions since 1999. Also, the officials stated that the Defense Security Cooperation Agency, in October 1998, directed that no additional funds be used to expand the current system. However, according to the agency, the Army is not prohibited from periodically testing the system.

What GAO Recommends
GAO recommends modifications to policies to ensure the recovery of items shipped to foreign countries that are not eligible to receive them under blanket orders. Also, GAO recommends the Army modify its system to identify for review unclassified items containing military technology before they are released, and periodically test its system.

DOD concurred with two recommendations and did not concur with two others on actions to recover items shipped in error, citing existing procedures. Following up with DOD officials, they agreed with the need to modify these policies. GAO also clarified its recommendations.


To view the full product, including the scope and methodology, click on the link above. For more information, contact William M. Solis at (202) 512-8365 or solisw@gao.gov.