

Highlights of [GAO-05-277](#), a report to congressional requesters

# DOD EXCESS PROPERTY

## Management Control Breakdowns Result in Substantial Waste and Inefficiency

### Why GAO Did This Study

Based on limited previous GAO work that identified examples of purchases of new items at the same time identical items in excellent or good condition were excessed, GAO was asked to assess the overall economy and efficiency of the Department of Defense (DOD) program for excess property reutilization (reuse). Specifically, GAO was asked to determine (1) whether and to what extent the program included waste and inefficiency and (2) root causes of any waste and inefficiency. GAO was also asked to provide detailed examples of waste and inefficiency and the related causes. GAO's methodology included an assessment of controls, analysis of DOD excess inventory data, statistical sampling at selected sites, and detailed case studies of many items.

### What GAO Recommends

This report includes 13 recommendations to improve the economy and efficiency of DOD's reutilization program for excess commodities in the areas of (1) data reliability; (2) oversight, accountability, and physical inventory control; and (3) the functional design of DOD's future commodity inventory systems.

DOD concurred with 8 and partially concurred with 5 of our recommendations. Where DOD partially concurred, we view DOD's stated actions as being generally responsive to the intent of our recommendations.

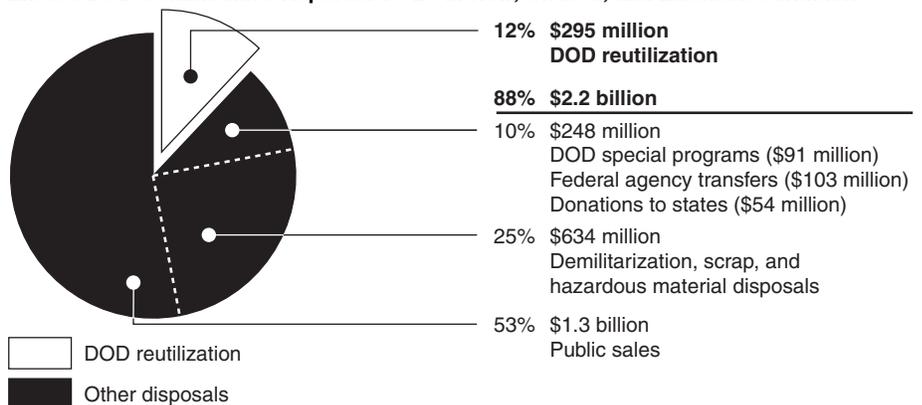
[www.gao.gov/cgi-bin/getrpt?GAO-05-277](http://www.gao.gov/cgi-bin/getrpt?GAO-05-277).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gregory D. Kutz at (202) 512-9095 or [kutzg@gao.gov](mailto:kutzg@gao.gov).

### What GAO Found

DOD does not have management controls in place to assure that excess inventory is reutilized to the maximum extent possible. Of \$18.6 billion in excess commodity disposals in fiscal years 2002 and 2003, \$2.5 billion were reported to be in new, unused, and excellent condition. DOD units reutilized only \$295 million (12 percent) of these items. The remaining \$2.2 billion (88 percent) includes significant waste and inefficiency because new, unused, and excellent condition items were transferred and donated outside of DOD, sold for pennies on the dollar, or destroyed. DOD units continued to buy many of these same items. GAO identified at least \$400 million of commodity purchases when identical new, unused, and excellent condition items were available for reutilization. GAO also identified hundreds of millions of dollars in reported lost, damaged, or stolen excess property, including sensitive military technology items, which contributed to reutilization program waste and inefficiency. Further, excess property improperly stored outdoors for several months was damaged by wind, rain, and hurricanes.

**Waste and Inefficiency Related to \$2.2 Billion in Fiscal Year 2002 and 2003 Disposals of Excess DOD Commodities Reported To Be in New, Unused, and Excellent Condition**



Source: GAO analysis.

To illustrate continuing reutilization program waste and inefficiency, GAO ordered and purchased at little or no cost several new and unused excess commodities that DOD continued to buy and utilize, including tents, boots, power supplies, circuit cards, and medical supplies. GAO paid a total of \$1,471, including tax and shipping cost, for these items, which had an original DOD acquisition cost of \$68,127.

Root causes for reutilization program waste and inefficiency included (1) unreliable excess property inventory data; (2) inadequate oversight and physical inventory control; and (3) outdated, nonintegrated excess inventory and supply management systems. Procurement of inventory in excess of requirements also was a significant contributing factor. Improved management of DOD's excess property could save taxpayers at least hundreds of millions of dollars annually.