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June 13, 2003

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# Logistics

Law Enforcement Support Office  
Excess Property Program  
(D-2003-101)

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Department of Defense  
Office of the Inspector General

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*Quality*

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# Report Documentation Page

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### **Acronyms**

CMIS	Counter-Narcotics Management Information System
DAISY	Defense Reutilization and Marketing Service Automated Information System
DLA	Defense Logistics Agency
DRMO	Defense Reutilization and Marketing Office
DRMS	Defense Reutilization and Marketing Service
GAO	General Accounting Office
LESO	Law Enforcement Support Office
WEBDOCS	Web Enabled Document Conversion System



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
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June 13, 2003

MEMORANDUM FOR DIRECTOR, DEFENSE LOGISTICS AGENCY  
GENERAL ACCOUNTING OFFICE

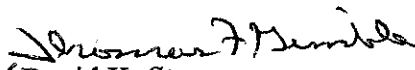
SUBJECT: Report on the Law Enforcement Support Office Excess Property Program  
(Report No. D-2003-101)

We are providing this report for review and comment. We performed this audit in response to a referral made by the General Accounting Office to the Defense Hotline. The General Accounting Office requested that we perform a review and reconciliation of transactions that it collected during a review of DoD excess property donations. We considered management comments on a draft of this report when preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. Therefore, we request that the Director, Defense Logistics Agency provide additional comments on recommendation 2.a. by July 14, 2003.

If possible, please provide management comments in electronic format (Adobe Acrobat file only) to [audls@dodig.osd.mil](mailto:audls@dodig.osd.mil). Copies of the management comments must contain the actual signature of the authorizing official. We cannot accept the / Signed / symbol in place of the actual signature. If you arrange to send classified comments electronically, they must be sent over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Tilghman A. Schraden at (703) 604-9186 (DSN 664-9186) or Mr. Walter S. Bohinski at (703) 604-8745 (DSN 664-8745). See Appendix D for the report distribution. Audit team members are listed inside the back cover.

  
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Deputy Assistant Inspector General  
for Auditing

# Office of the Inspector General of the Department of Defense

**Report No. D-2003-101**  
(Project No. D2002LD-0217)

**June 13, 2003**

## **Law Enforcement Support Office Excess Property Program**

### **Executive Summary**

**Who Should Read This Report and Why?** DoD personnel who are involved in the management of donation programs for DoD excess property should read this report. The report discusses the management of the 1033 Program that provides excess property to Federal and State law enforcement activities.

**Background.** We performed this audit in response to a referral made by the General Accounting Office (GAO) to the Defense Hotline. GAO requested that we perform further review and reconciliation of transactions that it partially analyzed during a review of DoD excess property donations, including those made under the 1033 Program.<sup>1</sup> We limited the scope of our audit to a reconciliation of the transactions identified by GAO because the Defense Logistics Agency Internal Review Office was also performing an audit of the operations of the 1033 Program. (See Appendix C for discussion of the ongoing audit by the Defense Logistics Agency Internal Review Office.) The 1033 Program was established by the provisions of Public Law 104-201, "National Defense Authorization Act for Fiscal Year 1997," September 23, 1996, section 1033, "Transfer of Excess Personal Property to Support Law Enforcement Activities." Section 1033 authorizes the Secretary of Defense to issue excess DoD personal property "as is" to Federal and State law enforcement activities (agencies with arrest and apprehension powers)<sup>2</sup> with preference given to those law enforcement agencies that will use the property for counterdrug and counterterrorism activities. Under the 1033 Program, law enforcement agencies request, through their State coordinator and the Law Enforcement Support Office, DoD excess property managed by the Defense Reutilization and Marketing Offices. In FY 2002, 284,480 items, valued at about \$118 million,<sup>3</sup> were issued from the DoD to State and local law enforcement agencies. GAO identified 2,636 discrepancies between the property issue records in the Defense Reutilization and Marketing Service Automated Information System (DAISY) database and the approval records maintained by the Law Enforcement Support Office in the Counter-Narcotics Management Information System database. The property approval and issue records were from October 1996 through August 2000. The Law Enforcement Support Office and the Defense Reutilization and Marketing Service are Defense Logistics Agency organizations.

**Results.** Law Enforcement Support Office and Defense Reutilization and Marketing Service records were not reliable to account for DoD excess property issued from October 1996 through August 2000 through the 1033 Program. We selected

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<sup>1</sup>1033 refers to the section of the public law that created the program.

<sup>2</sup>The term "law enforcement agency" will be used throughout this report to mean "law enforcement activity" as used by Public Law 104-201, section 1033.

<sup>3</sup>Dollar values for excess property throughout this report are the original acquisition cost of the items.

148 transactions from the GAO-provided DAISY transaction records and the Counter-Narcotics Management Information System transaction records. Of the selected 148 excess property transactions, 39 (26 percent<sup>4</sup>) could be reconciled between the approval records in the Counter-Narcotics Management Information System database and the issue records in the DAISY database. The remaining 109 transactions (74 percent<sup>4</sup>) could not be reconciled between the two databases.

- 66 transactions (45 percent<sup>4</sup>) had undocumented differences between the transaction quantities of property the Law Enforcement Support Office approved for release and the transaction quantities the Defense Reutilization and Marketing Office issued.
- 31 transactions (21 percent<sup>4</sup>) had missing Law Enforcement Support Office transaction approval records.
- 12 transactions (8 percent<sup>4</sup>) had data entry errors in Law Enforcement Support Office transaction approval records as compared to Defense Reutilization and Marketing Office issued property transactions.

As a result, the Defense Reutilization and Marketing Service was distributing DoD excess property to law enforcement agencies without the accountability necessary to ensure that the property issued was authorized. The Defense Logistics Agency could improve the reliability and accountability of property records for the 1033 Program, and correct the material management control program weakness, by implementing guidance that includes written standard operating procedures and by requiring that the Law Enforcement Support Office use the automated processing system for requisitioning, approving, and issuing items. For details of the audit results, see the Finding section of the report.

**Management Comments.** The Director for Logistics Operations, Defense Logistics Agency concurred with the finding and the recommendations; however, the Director did not address the recommended revision of Defense Reutilization and Marketing Service Instruction 4160.14. We request that the Defense Logistics Agency provide additional comments on recommendation 2.a. in response to the final report by July 14, 2003. See the finding section and the Management Comments section for the complete text of the comments.

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<sup>4</sup>Percentage for the selected transactions does not generalize to the universe of the two GAO data files.

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## Background

We performed this audit in response to a referral made by the General Accounting Office (GAO) to the Defense Hotline. GAO requested that we perform further review and reconciliation of transactions that it partially analyzed during a review of DoD excess property donation programs, including donations made under the 1033 Program.<sup>1</sup> The 1033 Program was established by the provisions of Public Law 104-201, “National Defense Authorization Act for Fiscal Year 1997,” September 23, 1996, section 1033, “Transfer of Excess Personal Property to Support Law Enforcement Activities.” Section 1033 authorizes the Secretary of Defense to issue excess DoD personal property “as is” to Federal and State law enforcement activities (agencies with arrest and apprehension powers)<sup>2</sup> with preference given to those law enforcement agencies that will use the property for counterdrug and counterterrorism activities. GAO identified discrepancies between 2,636 property issue records maintained by the Defense Reutilization and Marketing Offices (DRMOs) in the Defense Reutilization and Marketing Service (DRMS) Automated Information System (DAISY) database and the approval records maintained by the Law Enforcement Support Office (LESO) in the Counter-Narcotics Management Information System (CMIS) database for October 1996 through August 2000. CMIS is a database that contains DoD excess property transaction records of donations made to law enforcement agencies under the 1033 Program. DAISY is an automated system used by DRMOs to manage inventory transactions related to receipt, distribution, and disposal of DoD excess property and scrap.

**Origin of the 1033 Program.** The 1033 Program began in FY 1990 as the 1208 Program.<sup>3</sup> Under the 1208 Program, the issuance of excess DoD property to law enforcement agencies was limited to Federal and State law enforcement agencies for use in counterdrug activities. From October 1989 through September 1995, the Deputy Assistant Secretary of Defense (Drug Enforcement Policy and Support) administered the 1208 Program through LESO regional logistics support offices. In 1995, the administration of the 1208 Program was transferred to the Defense Logistics Agency (DLA). In October 1996, the 1033 Program replaced the 1208 Program and opened participation in the program to all Federal and State law enforcement activities. In FY 1999, DLA completed the consolidation of regional logistics support offices that had administered the 1208 and 1033 Programs into a single office, LESO at Fort Belvoir, Virginia. LESO was funded by the Office of the Assistant Secretary of Defense (Counter-Narcotics). Although the 1033 Program was administered by DLA, the Deputy Under Secretary of Defense (Logistics and Materiel Readiness) provided the personnel to administer the program. Beginning in October 2003, DLA is to assume full responsibility for funding and civilian personnel for LESO and the administration of the 1033 Program. According to LESO, the

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<sup>1</sup>1033 refers to the section of the public law that created the program.

<sup>2</sup>The term “law enforcement agency” will be used throughout this report to mean “law enforcement activity” as used by Public Law 104-201, section 1033.

<sup>3</sup>Section 1208 of the FY 1990 and FY 1991 Defense Authorization Act, Public Law 101-189, established the 1208 Program.

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1033 Program provides over 17,000 State and local law enforcement agencies with a way to obtain DoD excess property in support of their missions. The LESO weekly activity report, dated December 6, 2002, stated that for FY 2002, 284,480 items, valued at about \$118 million (original acquisition cost<sup>4</sup>), were issued from DoD to State and local law enforcement agencies. Acquisition cost is the amount paid for property, including transportation costs, when originally acquired.

**Program Participation.** Under the 1033 Program, law enforcement agencies request, through their State coordinator and LESO, DRMO-managed property that DoD Components have determined to be in excess of DoD requirements. During October 1996 through August 2000 a manual process was used to request, approve, and issue DoD property under the 1033 Program. (Appendix B details the manual request and approval process.) Criteria established by Public Law 104-201, section 1033, for participation in the 1033 Program were as follows.

- The property must be drawn from existing “as is” DoD stock.
- The transfer must be made without any expenditure of DoD funds.

Criteria established by each State’s memorandum of agreement<sup>5</sup> with DLA for participation in the 1033 Program were as follows.

- Each State must explain how the equipment will be used, and the equipment must be used by the State within 1 year of transfer.
- Property cannot be sold, leased, rented, exchanged, bartered, used to secure a loan, or used to supplement the agency’s budget.

**Roles and Responsibilities.** DLA is responsible for the disposal of DoD excess personal property. DoD Manual 4160.21-M, “Defense Materiel Disposition Manual,” August 18, 1997, defines personal property as “property of any kind or interest except real property and records of the Federal Government.”<sup>6</sup> DRMS is the DLA component that administers the excess property disposal program through oversight of the DRMOs. DRMOs collect and redistribute property that DoD Components have determined to be in excess of requirements.

LESO is the DLA component responsible for review and approval of law enforcement agency requests for DoD excess property managed by the DRMOs. DLA Directive 4160.10, “Transfer of Excess Personal Property for Law Enforcement Activities,” May 30, 2000, establishes the responsibilities for the administration of the excess property program (the 1033 Program). The Director, DLA serves as the designated agent for the Secretary of Defense for management oversight of the 1033 Program. The directive calls for DLA to issue program guidance in an agency instruction. LESO determines the priority and suitability

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<sup>4</sup>Dollar values for excess property throughout this report are the original acquisition cost of the items.

<sup>5</sup>The memorandum of agreement sets forth the terms and conditions of the relationship for issuing excess property determined to be suitable for law enforcement purposes. Memorandums of agreement are generally executed with State agencies, but not Federal agencies.

<sup>6</sup>Unless otherwise stated, references to excess property will mean DoD excess personal property throughout this report.

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of property requests, develops agreements with State coordinators, communicates periodic updates to program participants, and holds national program conferences. In addition, the Directive defines the role of the State coordinator. The State coordinator is Governor-appointed and is authorized to enter into a memorandum of agreement with DLA. DRMS is to provide management oversight for property issued under the program. DRMOs are to issue excess property approved for release under the program.

## **Objectives**

Our overall objective was to evaluate the excess property program (the 1033 Program) administered by DLA. Specifically, the audit was to determine whether adequate controls were in place to account for DoD property issued to State and local law enforcement agencies under the 1033 Program, and whether the property issued was properly authorized. However, the DLA Internal Review office is also performing an audit of the operations of the 1033 Program. Because of the ongoing DLA Internal Review audit, we limited the scope of our audit to a reconciliation of the transactions identified by GAO in the two data files provided to us with DRMS and LESO supporting documentation. We also reviewed the management control program as it related to the overall objective. See Appendix A for a discussion of the scope and methodology, our review of the management control program, and prior coverage related to the objectives. See Appendix C for a discussion of the ongoing audit by the DLA Internal Review office.

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# Law Enforcement Support Office Excess Property Program Controls

LESO and DRMS records were not reliable in accounting for DoD excess property issued from October 1996 through August 2000 under the 1033 Program. Of the selected 148 DoD excess property transactions,<sup>7</sup> we were able to reconcile 39 (26 percent<sup>8</sup>). For the remaining 109 transactions, we could not validate the data contained in the CMIS and DAISY databases, which had numerous errors. Specifically, the 109 transactions could not be reconciled because:

- 66 transactions (45 percent<sup>8</sup>) had undocumented differences between the transaction quantities of property LESO approved for release and the transaction quantities the DRMO issued;
- 31 transactions (21 percent<sup>8</sup>) were missing LESO transaction approval records; and
- 12 transactions (8 percent<sup>8</sup>) had data entry errors in LESO transaction approval records as reconciled with DRMO issued property transactions and other DRMO supporting records.

The databases could not be reconciled because LESO did not implement policies and procedures that ensured visibility and complete audit trails from the request for excess property to the issuance of the property to a law enforcement agency. In addition, DRMS did not document justifications for increases in quantities of excess property distributed to law enforcement agencies. As a result, DRMS was distributing DoD excess property to law enforcement agencies without the accountability necessary to ensure that the released property had the proper authorization.

## GAO-Provided 1033 Program Data

During the GAO review for Report No. GAO-02-75, “Defense Inventory: Control Weaknesses Leave Restricted and Hazardous Excess Property Vulnerable to Improper Use, Loss, or Theft,” January 25, 2002, GAO collected data and identified discrepancies between the CMIS and DAISY databases of excess property issued under the 1033 Program from October 1996 through August 2000. The property transactions in the databases were limited to items such as ammunition, band instruments, construction material, firefighter equipment, furniture, office supplies, and weapons. GAO compared property issue records maintained by the DRMOs in the DAISY database with records maintained by

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<sup>7</sup>The 148 selected transactions (totaling \$2,040,703) consisted of a random sample of 125 transactions (totaling \$239,349) and a judgmental sample of 23 high dollar-value transactions (totaling \$1,801,354) from the data files provided by GAO. See Appendix A for a detailed discussion of the selection methodology.

<sup>8</sup>Percentage for the selected transactions does not generalize to the universe of the two GAO data files.

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LESO in the CMIS database. GAO identified 2,636 discrepancies, specifically, 2,219 excess property transactions, valued at about \$2.9 million, that were recorded in DAISY but were not recorded in the CMIS database (DAISY-only data), and 417 excess property transactions, valued at \$1.6 million, that were recorded in both CMIS and DAISY databases, but the transaction records in the two databases did not match on the quantity of items issued. Prior to our reconciliation, the GAO file identified a greater quantity of excess property was recorded as having been released to law enforcement agencies in the DAISY database than was recorded in CMIS (DAISY-CMIS mismatched data). We attempted to reconcile the discrepancies in both the DAISY-only and DAISY-CMIS mismatched data files.

## Accountability Controls

LESO and DRMS records were not reliable in accounting for DoD excess property issued through the 1033 Program. We selected 148 transaction records from the GAO-provided DAISY-only and the DAISY-CMIS mismatched data files to reconcile discrepancies between the records in the DAISY and CMIS databases. That group of transactions consisted of statistical samples and judgmental samples that focused on high dollar transactions. We determined that the data contained in the GAO files were not sufficiently supported by DAISY and CMIS records to use as the basis for making statistical projections. As a result, we combined the two sample groups for purposes of our review. The selected records consisted of 80 transactions valued at about \$0.9 million from the DAISY-only data file, and 68 transactions valued at about \$1.1 million from the DAISY-CMIS mismatched data file. (See Appendix A for a discussion of the selection methodology.) We determined that 26 percent<sup>8</sup> of the selected records (39 of 148 transactions) could be reconciled between the DRMO and LESO records. However, 74 percent<sup>8</sup> of the selected records (109 of 148 transactions) could not be reconciled between the DRMO and LESO records because of quantity differences, missing transaction records, and data entry errors.

**Quantity Difference.** We compared the selected DRMO excess property transaction with CMIS database transactions and LESO supporting documentation and determined that 66 of the 148 selected transactions (45 percent<sup>8</sup>) had differences in the quantity released to the law enforcement agency by the DRMO and the quantity approved for release according to LESO documents. DRMO released a greater quantity for 63 of the transactions and a smaller quantity for three of the transactions.

We determined that DRMS could not provide documents that support the reasons for the quantity differences in the 66 transactions. We requested supporting documents for all 148 selected transactions from the October 1996 through August 2000 timeframe, but DRMS could not provide hardcopy documentation for 138 transactions because the records retention policy at DRMS is only 3 years.<sup>9</sup> The 10 DRMO transactions with supporting documentation were for

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<sup>9</sup>The DRMS policy on records retention, DRMS Instruction 4160.14, volume IV, "Policy and Procedures in Disposal Operations for Property Accounting," chapter 9, "Records Maintenance," June 1998, requires that source documents be kept in hardcopy for 3 years.

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FY 2000 and did not have notations indicating the reason for the change in quantity. Because of the lack of supporting documents, we used an alternative approach to test the reliability of the DRMO transaction data contained in DAISY. We obtained a disposal turn-in history report from the DRMS Management Information Distributions and Access System<sup>10</sup> for each transaction selected. We found that the history report supported the existence of DRMO transaction quantity data and was a reliable source for comparison purposes.

According to both DRMS and LESO officials, there were several factors that might account for the discrepancies between the DRMO and the LESO transaction records. According to those officials, law enforcement agencies would sometimes arrive at the DRMO to pick up approved property and would request additional quantities at that time. DRMS officials acknowledged that before November 2000, DRMOs would issue the additional quantities to law enforcement agencies, even though those quantities were in excess of what LESO had approved for release. In November 2000, DRMS issued a reminder to DRMOs reiterating the policy that DRMOs were to call LESO and obtain verbal approval before issuing any additional quantities to law enforcement agencies. Because the policy did not require LESO to document its approval for the additional quantity, there was no traceable evidence in DRMS or LESO records to indicate the approval of the additional quantities. The verbal approval policy also bypassed another property control—that of the State coordinator—who did not review the local law enforcement agency request for additional quantities.

Batch-lotting<sup>11</sup> to facilitate the management of many low dollar-value items at the DRMOs introduced another quantity accountability problem. DRMS Instruction 4160.14, volume IV, “Policy and Procedures in Disposal Operations for Property Accounting,” chapter 2, “Receipts,” March 2002, allows DRMOs to batch-lot multiple disposal turn-in documents of similar items, such as pants and shirts, under a single disposal turn-in document number. For the quantity field of the single disposal turn-in document, DRMOs enter the number of multiple disposal turn-in documents that were consolidated by the single form, rather than the number of items to be disposed of. When a law enforcement agency picks up property that is part of a batch-lot, the DRMO records do not reflect the number of items picked up. For example, in FY 2000, the DRMO located at Holloman Air Force Base, New Mexico, issued six units of batch-lotted miscellaneous office furniture, with an acquisition value of \$900, to a law enforcement agency. LESO had approved the law enforcement agency’s request for two items from a batch-lot of miscellaneous office furniture, valued at \$300. Although both the DRMO and LESO had supporting documentation for the transaction, the documents did not state the number of items in the batch-lots or the reason for the quantity difference in what was issued versus what was approved.

**Missing LESO Transactions.** LESO could not provide documentation (hardcopy or CMIS electronic entry) for 31 of the 148 selected transactions. We requested supporting documentation from LESO for the DRMO excess property transactions.

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<sup>10</sup>The Management Information Distribution and Access System is a DRMS system that provides a single access point to the complete DAISY inventory and transaction records that provide an audit trail for property and scrap movement.

<sup>11</sup>Batch-lotting is the physical grouping together of individual receipts of low dollar-value property.

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According to LESO officials, they did not have a records retention policy and could not account for the missing electronic or hardcopy documentation. However, DLA officials explained that organizational circumstances might have contributed to the missing documentation. Before 1999, DLA administered the 1033 Program through multiple regional support offices that were a holdover from the 1208 Program. LESO officials stated that they did not believe all records (electronic and hardcopy) were transferred to LESO when the regional support offices were consolidated into a single office in 1999.

**LESO Data Entry Errors.** Of the 148 transactions selected, 12 could not be reconciled because of data entry errors in the CMIS database. We compared DAISY transaction data for the selected items with CMIS data and the LESO supporting documentation. The CMIS transaction records had data entries, such as disposal turn-in document numbers, requisition numbers, or national stock numbers, which did not match the information in DAISY.

## **Policies and Procedures**

DLA did not establish and implement policies and procedures for the 1033 Program that ensured visibility of DoD property issued to law enforcement agencies. For the period of October 1996 through August 2000, the 1033 Program operated under a manual process that did not provide an adequate audit trail from the request for excess property to the issuance of the property. Additionally, DLA did not have a written policy requiring the reconciliation of LESO and DRMS transaction records to ensure accountability.

**DLA Policy.** Before the May 2000 DLA Directive 4160.10, DLA and LESO had no formal written guidance on the administration of the 1033 Program. Although DLA Directive 4160.10 established the 1033 Program responsibilities, neither DLA nor the Directive provided LESO with instructions on the operations of the 1033 Program. DLA Directive 4160.10 assigned DLA responsibility for operations and tasked LESO with administering the program by developing priorities for processing requests and by determining the suitability of property requests. As of March 2003, neither DLA nor LESO had issued written program guidance detailing the operation of the 1033 Program.

**Undocumented Processes.** From October 1996 through August 2000, a manual process was used to request, approve, and issue excess property. LESO did not provide guidance or procedures, such as approval criteria or accountability requirements, that documented the manual requisitioning process. However, LESO personnel described the manual requisitioning process and a partially implemented automated requisitioning process that was being used to request, approve, and issue excess property. See Appendix C for a detailed explanation of the manual and automated requisitioning processes.

**Manual Process Audit Trail.** The manual process described by LESO personnel consisted of three separate processes that were not adequately linked together to ensure full visibility and accountability for property requested, approved, and issued. The process starts when a law enforcement agency faxes a request for

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excess property to the applicable State coordinator. The State coordinator reviews the request and decides whether to approve, approve with modification, or reject the request. If the request is approved, the State coordinator faxes it to LESO for review and approval. LESO may approve, approve with modifications, or reject the request. If LESO approves the request, an approval document is generated and faxed to the requesting law enforcement agency through the State coordinator. The law enforcement agency uses the approved form to pick up the requested property at the DRMO. Under the manual system, once LESO approves a request for property, DRMO has no accountability requirements for reporting details to LESO, such as who picked up property or the quantity of property issued. Additionally, law enforcement agencies do not provide such information to LESO either. For example, in July 1997, a law enforcement agency requested three explosive ordnance disposal robots, valued at \$50,000 original acquisition cost per robot. Notations made on the LESO supplied supporting documentation by either the State coordinator or LESO reduced the quantity requested to one robot. LESO records for the quantity approved did not match the data entered in CMIS. The hardcopy documentation that LESO had to support the approval indicated that no disposal robots were approved for issue. However, the CMIS database showed that one robot was approved for issue to the law enforcement agency. In addition, DRMS data file information indicated that the DRMO had issued three disposal robots to the law enforcement agency. Because of the DRMS 3-year record retention policy, we could not determine how many of the robots were actually issued, nor who signed for them. Additionally, we could not determine whether the State coordinator or LESO made the change to the quantity originally requested.

The lack of accountability and visibility for excess property also contributed to data errors identified earlier in this report. We could find no evidence that LESO had quality control procedures in place to verify any information entered in the CMIS database from requests or approval forms. Further, LESO did not conduct periodic reconciliations of LESO-approved and DRMO-issued property. According to LESO personnel, in late 2001, LESO began periodic reconciliations of the CMIS database with DAISY to ensure that quantities approved matched quantities issued. As of March 2003, LESO had not issued guidance on the reconciliation process.

## Management Actions

Both LESO and DRMS have ongoing initiatives to improve visibility and accountability for DoD excess property. Automation of the requisition, approval, and issuance process, and digital storage of source documents will improve visibility and accountability. However, further controls are needed.

**Impact of Automated System.** In May 2002, LESO began implementing an automated requisition process—the DRMS and LESO Automated System. LESO planned to fully implement the automated requisition, approval, and issuance process by October 2003. Full implementation of the automated requisition process should address many of the accountability issues identified by our review. The DRMS and LESO Automated System provides an audit trail that documents

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each step in the approval process. The system tracks who made the request and when; who at the State level and LESO reviewed the request and when; and notations of all changes, denials, and approvals made during the requisition, approval, and issuance process. Because of the automated process, the opportunity for data entry errors is minimized.

Under the automated system, additional quantities of property can still be issued to law enforcement agencies by DRMOs with the verbal approval of LESO. However, the automated process provides DRMOs with the capability to adjust the quantity issued and to annotate the reason the change was made. Although the quantity can be adjusted to reflect what was actually issued by the DRMO, that capability still circumvents the approval process. State coordinators are not required to approve the change and LESO is not required to document its approval of the change before the property is issued. As of March 2003, DRMOs were requesting that LESO verbally approve the increased quantities, but the State coordinators were not being consulted. The DRMO and LESO automated system minimized data entry errors but did not correct the potential for discrepancies between quantities issued and quantities approved because LESO had not incorporated changes requiring approval documentation from State coordinators and LESO, prior to DRMO issuing additional quantities.

We performed a limited test of 25 transactions to verify the potential for the automated process to correct many of the weaknesses identified with the manual process. For the period of October 15 to October 31, 2002, we selected all excess property issuance to law enforcement agencies—527 transactions. We reviewed 25 out of the 527 transactions that had the same Federal supply codes as those included in the GAO files. Of the 25 transactions, 18 were processed by the manual system and seven were processed by the automated system. Of the 18 transactions processed by the manual system, nine transactions (50 percent<sup>8</sup>) had data entry errors. None of the seven transactions processed through the automated system had data entry errors or errors in the quantity issued compared with the quantity approved.

**Digital Storage of Source Documents.** DRMS is in the process of developing a new technology called Web Enabled Document Conversion System (WEBDOCS) that will enable the electronic storage of source documents. DRMS Instruction 4160.14, volume IV, chapter 9, requires that hardcopies of source documents be kept for 3 years. As a result, records of who received the property and any notations concerning additional quantities issued can only be accessed for 3 years. Using WEBDOCS, DRMO employees can scan property issue documents, save them to a file, and retrieve the stored images at any time. According to DRMS officials, WEBDOCS is in the early development stage and has been tested at some DRMO sites. As of March 2003, WEBDOCS was being used to scan, store and retrieve disposal turn-in documents, but the other types of records to be scanned and the retention length of stored images was under discussion.

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## Recommendations, Management Comments, and Audit Response

**1. We recommend that the Director, Defense Logistics Agency develop and implement written standard operating procedures and guidance for the 1033 Program that include:**

**a. Procedures and criteria for approval and disapproval of law enforcement agency property requests and routine periodic reconciliations of databases.**

**b. Written requisitions for additional quantities requested by law enforcement agencies that are in excess of the quantity originally approved by the Law Enforcement Support Office.**

**c. Documented State and Law Enforcement Support Office approval of additional quantities requested by law enforcement agencies.**

**d. Mandatory use of the automated processing system of the 1033 Program for requisitioning, approving, and issuing items for the entire requisition process, including additional quantities.**

**DLA Comments.** The Director for Logistics Operations, DLA concurred, and stated that his office was developing a “One Book” that will be the “Corporate” repository for policies, processes, and procedures. The first iteration is expected by October 1, 2003, and will include the operating procedures and guidance for the 1033 Program.

**2. We recommend that the Director, Defense Reutilization and Marketing Service:**

**a. Revise the Defense Reutilization and Marketing Service Instruction 4160.14 on batch-lotting to ensure that the quantity of items in a batch-lot are accurately identified.**

**b. Implement digital storage (WEBDOCS) of DoD excess property issuance documentation. Specifically, the documentation signed by the individual from the law enforcement agency that picked up the property should be scanned into the database.**

**DLA Comments.** The Director for Logistics Operations, DLA commented on recommendation 2.a. stating that the Defense Reutilization and Marketing Service was addressing the quantity discrepancies associated with “issuing” items from batch-lots by implementing 100 percent usage of the automated processing system of the 1033 Program for requisitioning, approving, issuing, and adjusting quantities. In addition, the Director concurred in concept with recommendation 2.b., and stated that WEBDOCS is only one method of electronic storage being considered.

**Audit Response.** The DLA comments to recommendation 2.a. were not fully responsive, but were responsive to the intent of recommendation 2.b. DLA did not address the revision of the Instruction on batch-lotting as part of its comments to recommendation 2.a. We request that DLA provide additional comments in response to the final report.

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## Appendix A. Scope and Methodology

We attempted to reconcile and validate DRMS and LESO DoD excess property transaction records associated with the 1033 Program from October 1996 through August 2000. To accomplish the audit objective, we reviewed public laws, directives, instructions, and manuals; we interviewed personnel from LESO and DRMS responsible for the approval and distribution of excess DoD property; and we reviewed selected transactions from the two 1033 Program data files provided by GAO.

As part of the data collection for Report No. GAO-02-75, GAO identified discrepancies between the CMIS and DAISY databases concerning excess property issues made under the 1033 Program from October 1996 through August 2000. The property transactions were limited to items such as ammunition, band instruments, construction material, firefighter equipment, furniture, office supplies, and weapons. GAO compared property issue records maintained by the DRMOs in the DAISY database with records maintained by LESO in the CMIS database. GAO identified 2,219 excess property transactions, valued at \$2,900,090, that were recorded in DAISY but were not recorded in the CMIS database (DAISY-only data file). GAO also identified 417 excess property transactions, valued at \$1,648,541, that were recorded in both CMIS and DAISY databases, but the transaction records in the two databases did not match on the quantity of items issued. Prior to our reconciliation, the GAO file identified a greater quantity of excess property was recorded as released to law enforcement agencies in the DAISY database (DAISY-CMIS mismatched data file).

We developed sample plans to review each of the two GAO-provided data files. We took a random sample of transactions from both the DAISY-only and the DAISY-CMIS mismatched data files. The DAISY-only sample contained 75 transactions, valued at \$42,143. The DAISY-CMIS mismatched sample contained 50 transactions for which DAISY records showed that quantities issued exceeded the quantities in CMIS records. Discrepancies were valued at \$180,603. We also developed a judgmental sample of high dollar-value transactions from both data files. We selected 5 transactions from the DAISY-only data file with a value of \$50,000 or greater. We also selected an additional 18 transactions from the DAISY-CMIS mismatched data file with discrepancies that amounted to at least \$9,000. We found that the data contained in the CMIS database and DAISY could not be validated and had numerous errors, which we discuss in the finding section of the report. Because available documentation was insufficient for base statistical projections, we combined the judgmental and statistically drawn samples. The selected transactions for the DAISY-only data file consisted of 80 transactions, valued at \$919,053. The selected transactions for the DAISY-CMIS mismatched data file consisted of 68 transactions, valued at \$1,121,650.

We also developed a sample to evaluate the reliability of the DRMS and LESO automated requisitioning system. We reviewed excess property transaction records associated with the 1033 Program, completed by DRMOs during October 15 through October 31, 2002. From the total of 527 transactions completed during that period, we obtained DAISY printouts for 25 transactions with the same Federal supply codes as those included in the GAO databases to

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verify the potential for the automated process to correct many of the weaknesses identified with the manual requisitioning process. Eighteen of the selected 25 transactions were processed by the manual system and seven were processed by the automated system.

We requested that DRMS and LESO provide supporting documentation for the 148 transactions included in the DAISY-only and DAISY-CMIS mismatched sample. We also requested documentation for the 25 current transactions. Documents requested from LESO consisted of copies of DRMS Form 103,<sup>1</sup> law enforcement agency justification documentation, and DD Form 1348-1A.<sup>2</sup> Documents requested from DRMS consisted of DRMO-processed DD Form 1348-1As. We reviewed disposal turn-in document history reports from the DRMS Management Information Distribution and Access System, and item description reports from FED Log<sup>3</sup> for each sampled transaction. The disposal turn-in document history contained the identification of the organization and the quantity of the item turned in, the date and the quantity sent, and where the item went.

We performed this audit from September 2002 through April 2003 in accordance with generally accepted government auditing standards. Because of the ongoing DLA Internal Review audit, we limited the scope of our audit to a reconciliation of DRMS and LESO excess property transactions identified by GAO in the two data files provided to us. During the audit, we found that the CMIS and DAISY databases could not be validated and contained numerous errors. As a result, we determined that available documentation was insufficient to base statistical projections.

**Use of Computer-Processed Data.** To achieve the audit objectives, we relied on computer-processed data contained in CMIS, DAISY, the Management Information Distribution and Access System, and the FED Log system. The lack of system controls and tests of the data files provided by GAO showed an error rate that cast doubt on the reliability of CMIS data. In addition, the lack of DRMO supporting documentation limited the reliability of DAISY data. However, we were able to rely on select DAISY data elements that confirmed the quantities of an item and the disposal turn-in document number assigned to the item when it was turned in as excess property. We verified those data elements by comparing them with disposal turn-in document data contained in the DRMS Management Information Distribution and Access System. The data reliability and validity problems we identified do not affect the conclusions in this report.

**Use of Technical Assistance.** The Quantitative Methods Division of the Office of the Assistant Inspector General for Auditing of the Department of Defense developed a random sample plan for the audit team to achieve a 90 percent confidence for the transactions to be reviewed to meet the audit objectives.

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<sup>1</sup>DRMS Form 103 is the request form used by the law enforcement agencies to request excess property.

<sup>2</sup>DD Form 1348-1A is the form used by LESO to grant permission for a DRMO to release the requested property to the law enforcement agency.

<sup>3</sup>FED Log is an automated supply program used by the government to locate part numbers, stock numbers, item names and numbers, shipping codes, freight data, classifications, characteristics data, and more.

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**General Accounting Office High-Risk Area.** The General Accounting Office has identified several high-risk areas in DoD. This report provides coverage of the DoD Inventory Management high-risk area.

## Management Control Program Review

DoD Directive 5010.38, “Management Control (MC) Program,” August 26, 1996, and DoD Instruction 5010.40, “Management Control (MC) Program Procedures,” August 28, 1996, require DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and that evaluate the adequacy of the controls.

**Scope of the Review of the Management Control Program.** We reviewed the adequacy of DLA management controls for processing DoD excess property transaction records associated with the 1033 Program from October 1996 through August 2000. We reviewed DLA self-evaluation applicable to those controls.

**Adequacy of Management Controls.** As defined by DoD Instruction 5010.40, we identified a material management control weakness at DLA. DLA did not have adequate controls to ensure accountability of DoD excess property issued through the 1033 Program. The recommendations in this report, if implemented, will correct the material weakness identified by the audit. A copy of the report will be provided to the senior official responsible for management controls in DLA.

**Adequacy of Management’s Self-Evaluation.** DLA did not identify accountability of DoD excess property issued through the 1033 Program as an assessable unit and, therefore, did not identify or report the material management control weakness identified by the audit.

## Prior Coverage

During the last 5 years, the General Accounting Office (GAO) has issued one report related to donation of excess DoD property. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>.

## GAO

GAO Report No. GAO-02-75, “Defense Inventory: Control Weaknesses Leave Restricted and Hazardous Excess Property Vulnerable to Improper Use, Loss, or Theft,” January 25, 2002

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## Appendix B. Manual and Automated Requisitioning Process

During the period of October 1996 through August 2000, a manual process was used to request, approve, and issue excess DoD property under the 1033 Program. Neither LESO nor DRMS provided written guidance or procedures documenting the LESO manual requisitioning process. However, LESO personnel described the current manual requisitioning process. In addition, LESO personnel described the new, automated requisition processing system that is to replace the manual requisitioning process. A diagram of the manual and automated requisitioning processes is included in this appendix, following the description of the process.

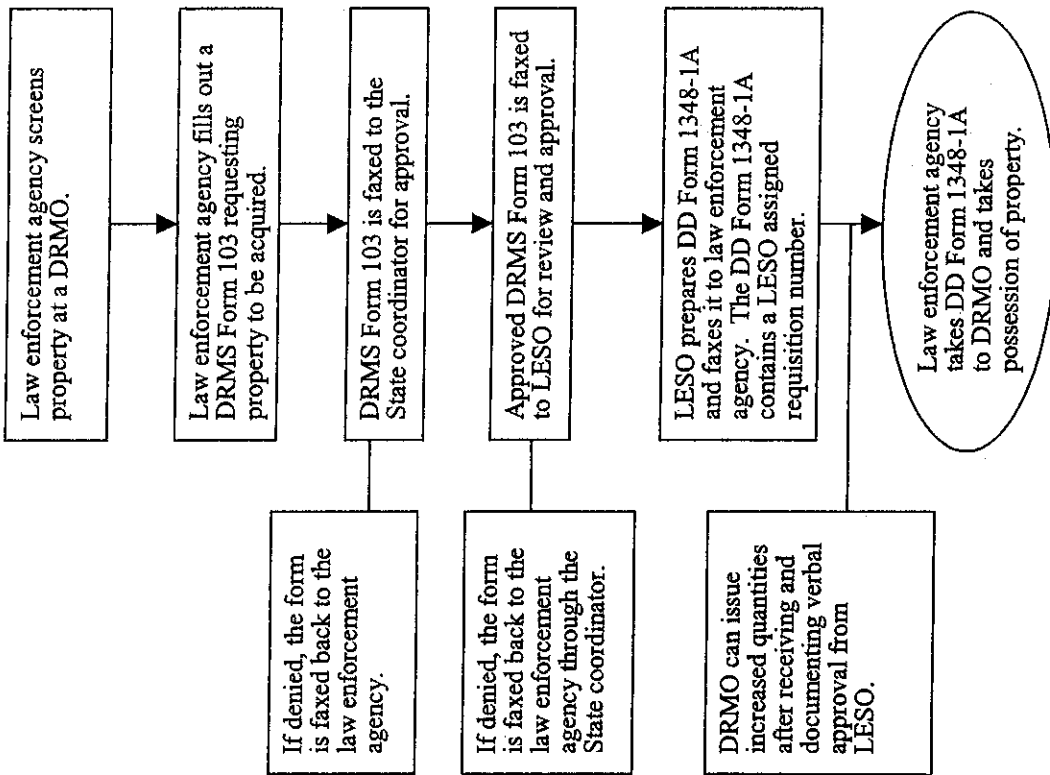
**Manual Process.** The manual requisitioning process begins with an authorized law enforcement agency representative traveling to a DRMO location to screen for excess DoD property that may be useful in the performance of their law enforcement activities. Law enforcement agencies receive authorization to participate in the 1033 Program from their respective State coordinator. To acquire excess property, the law enforcement agency representative completes a DRMS Form 103 (requisition request) and faxes it to their State coordinator for review. The State coordinator may approve, approve with modification, or reject the request. If the State coordinator approves the request, the DRMS Form 103 is faxed to LESO for review. LESO determines the reasonableness of the request on the basis of the law enforcement agency's number of sworn officers, the historical amount of property the law enforcement agency received through the 1033 Program, and the law enforcement agency's justification for how the property will be used. Denied requisition requests are faxed back to the law enforcement agency through their State coordinator. For approved requisition requests, LESO enters the request into CMIS and prepares a DD Form 1348-1A for each requested item. The DD Form 1348-1A authorizes the DRMO to release a stated quantity of the property to the requesting law enforcement agency. For each DD Form 1348-1A, LESO assigns a requisition number and faxes the DD Form 1348-1A to the requesting law enforcement agency through the agency's State coordinator. With receipt of the approved DD Form 1348-1A, the law enforcement agency representative travels to the DRMO where the property is located. The DRMO releases a specific quantity of property based on the law enforcement agency representative presenting the DD 1348-1A. This is when the DRMO enters the transaction into DAISY. Additional quantities of the approved property can be issued by a DRMO with the verbal approval of LESO. The State coordinator is not consulted by the DRMO or LESO when additional quantities are being considered for release. For the 10-month period of February 1 through December 6, 2002, nearly 78 percent of 1033 Program law enforcement agency requisition requests were made using the manual requisitioning process.

**Automated Process.** In May 2002, LESO began implementing an automated requisition process, the DRMS and LESO automated system. Like the manual requisition process detailed above, an authorized law enforcement agency representative can screen available excess and surplus property at a DRMO. However, with the automated requisitioning process, the law enforcement agency representatives can also electronically screen excess property over the Internet

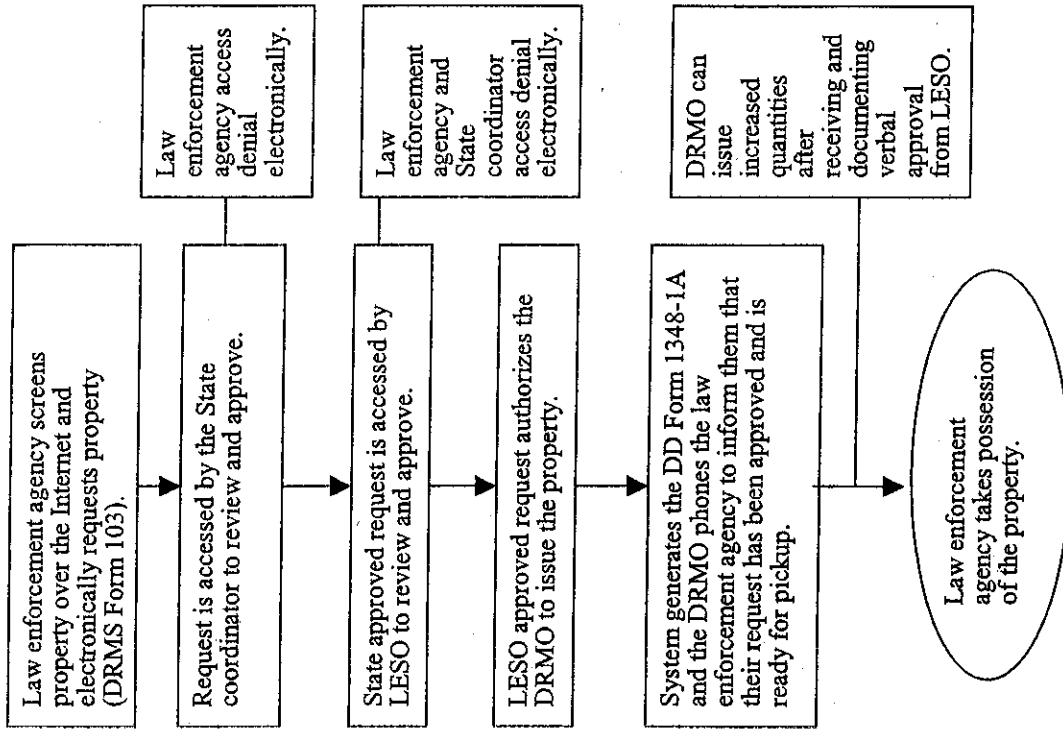
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utilizing the DRMS and LESO automated system. When a law enforcement agency representative wants to requisition property, the representative enters a requested quantity, and the automated system electronically populates the DRMS Form 103 (request). The law enforcement agency's completed request form is electronically marked for their State coordinator to review. Like the manual process, the automated process allows the State coordinator to modify the request. If the State coordinator approves the request, the system marks the request for LESO to review. LESO personnel review the request for reasonableness, based on the same criteria used to determine reasonableness for the manual process. In the automated system, the justification for use of the property is a comment field on the DRMS Form 103, rather than a separate document. When LESO approves a requisition, the automated system updates CMIS and generates a DD Form 1348-1A for each requested item and assigns a requisition number to each. The DD Form 1348-1A authorizes the DRMO to release a stated quantity of property to the requesting law enforcement agency. Upon receipt of the approval of the DD Form 1348-1A, the DRMO calls the law enforcement agency to notify them that the property request has been approved and is ready for pick-up. When the DRMO issues the property, the transaction is posted to DAISY. State coordinators and law enforcement agencies can also check on the status of property requests at any point in the approval process. For the 10-month period of February 1 through December 6, 2002, about 22 percent of the requests for property under the 1033 Program were made using the automated requisitioning process.

### Manual Process



### Automated Process



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## Appendix C. Defense Logistics Agency Internal Review Objectives

DLA Internal Review was also performing a review of the operations of the 1033 Program during the time of our audit. In order to avoid duplication, we coordinated with DLA Internal Review and, as a result, we limited the scope of our audit to a reconciliation of the discrepancies identified by GAO in the two data files provided to us. The DLA Internal Review audit plan for reviewing the management controls and procedures used by LESO to manage the 1033 Program included taking a random sample of current 1033 Program transactions. DLA Internal Review planned to issue a final audit report by July 2003. The DLA Internal Review was to cover:

- authorization procedures of program eligibility, access by program participants, memorandums of agreement between States and DLA, and CMIS access and accountability;
- procedures by which excess property is requested, to ensure that requests do not exceed requirements of program participants;
- item issuance procedures, to include quantity controls, demilitarization controls, reconciliation of CMIS and DAISY, and discrepancy resolutions procedures;
- 1033 Program compliance procedures, to include verification of compliance by program participants, and resolution of compliance deficiencies; and
- other program issues, to include review of disposal turn-in document numbers, the record retention policy, and 1033 Program instructions and procedures.

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## **Appendix D. Report Distribution**

### **Office of the Secretary of Defense**

Under Secretary of Defense for Acquisition, Technology, and Logistics  
Deputy Under Secretary of Defense (Logistics and Materiel Readiness)  
Under Secretary of Defense (Comptroller)/Chief Financial Officer  
Deputy Chief Financial Officer  
Deputy Comptroller (Program/Budget)

### **Department of the Army**

Auditor General, Department of the Army

### **Department of the Navy**

Naval Inspector General  
Auditor General, Department of the Navy

### **Department of the Air Force**

Auditor General, Department of the Air Force

### **Other Defense Organizations**

Director, Defense Logistics Agency  
Director, Law Enforcement Support Office  
Director, Defense Reutilization and Marketing Service

### **Non-Defense Federal Organizations**

Office of Management and Budget  
General Accounting Office

\*Recipient of draft report.

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## **Congressional Committees and Subcommittees, Chairman and Ranking Minority Member**

Senate Committee on Appropriations  
Senate Subcommittee on Defense, Committee on Appropriations  
Senate Committee on Armed Services  
Senate Committee on Governmental Affairs  
House Committee on Appropriations  
House Subcommittee on Defense, Committee on Appropriations  
House Committee on Armed Services  
House Committee on Government Reform  
House Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform  
House Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform  
House Subcommittee on Technology, Information Policy, Intergovernmental Relations, and the Census, Committee on Government Reform



# Defense Logistics Agency Comments



DEFENSE LOGISTICS AGENCY  
HEADQUARTERS  
8725 JOHN J. KINGMAN ROAD, SUITE 2533  
FORT BELVOIR, VIRGINIA 22060-8221

JUN -6 2003

IN REPLY  
REFER TO J-3

MEMORANDUM FOR OFFICE OF THE DEPARTMENT OF DEFENSE (DOD)  
INSPECTOR GENERAL (IG)

SUBJECT: Comments on the Draft of a Proposed Report on the Law Enforcement Support  
Office (LESO) Excess Property Program (Project No. D2002LD-0217)

Attached are the Defense Logistics Agency's (DLA) comments regarding the draft proposed  
DODIG Report on the LESO Excess Property Program (Project No. D2002LD-0217).

If you have questions regarding information in the attachments, the DLA point of contact is  
Mr. Frederick N. Baillie, Executive Director, Distribution & Reutilization Policy, at  
703-767-3600.

A handwritten signature in black ink, appearing to read "H. Proctor".

HAWTHORNE L. PROCTOR  
Major General, USA  
Director  
Logistics Operations

Federal Recycling Program



Printed on Recycled Paper

**DODIG Project No. D2002LD-0217**

**DRAFT OF A PROPOSED REPORT ON THE  
LAW ENFORCEMENT SUPPORT OFFICE (LESO)  
EXCESS PROPERTY PROGRAM**

**DEFENSE LOGISTICS AGENCY (DLA) COMMENTS  
TO THE RECOMMENDATIONS**

**I. Findings:**

LESO and Defense Reutilization & Marketing Service (DRMS) records were not reliable in accounting for the Department of Defense (DOD) excess property issued from October 1996 through August 2000 under the 1033 Program. Of the selected 148 DOD excess property transactions, we were able to reconcile 39 (26 percent). For the remaining 109 transactions, we could not validate the data contained in the Counter narcotics Management Information System (CMIS) and DRMS Automated Information System databases, which had numerous errors. Specifically, the 109 transactions could not be reconciled because:

- 66 transactions (45 percent) had undocumented differences between the transaction quantities of property LESO approved for release and the transaction quantities the Defense Reutilization and Marketing Office (DRMO) issued;
- 31 transactions (21 percent) were missing LESO transaction approval records; and
- 12 transactions (8 percent) had data entry errors in LESO transaction approval records as reconciled with DRMO issued property transactions and other DRMO supporting records.

The databases could not be reconciled because LESO did not implement policies and procedures that ensured visibility and complete audit trails from the request for excess property to the issuance of the property to a law enforcement agency (LEA). In addition, DRMS did not document justifications for increases in quantities of excess property distributed to LEAs. As a result, DRMS was distributing DOD excess property to LEAs without the accountability necessary to ensure that the released property had the proper authorization. (See page 4 of the report.)

**DLA Response: Concur.**

The Office of the Secretary of Defense (OSD) executed this program, formerly known as the 1208 Program, through five Regional Logistical Support Offices (RLSOs) across the United States from its inception in 1989 until October 1995. The automated database used was the CMIS. Each RLSO used the CMIS to manage DOD excess personal property transferred to LEAs independently of each other. This system was not designed to capture 100% of all transfer data. Only available data records at RLSO were uploaded into the CMIS to establish the

database baseline. Section 1033 of the Defense Authorization Act of 1997 expanded the excess program to include all law enforcement activities and thus the program name was changed to the "1033 Program". In October 1995, the DLA assumed management duties of the 1033 Program from OSD "as is" with the existing data already in the system. After assuming managerial responsibility of the 1033 Program, DLA quickly implemented procedures to standardize 1033 Program operations. The first initiative undertaken was consolidating all of the RLSOs into one location at Fort Belvoir, Virginia. Since the last RLSO closure in 1999, CMIS accuracy has improved greatly.

An online excess property request application was implemented in conjunction with DRMS in May 2002 for the 1033 Program. The goal of this system is to eliminate a previously 100% manual excess property request system and allow LEAs the same access that DOD customers have when screening excess DOD property. This application also integrates the LESO CMIS and the DRMS data systems and will ensure complete property visibility, audit trails, and full accountability of excess property issued through the 1033 Program. LESO customers were notified in October 2002 that effective October 1, 2003 all excess property requests must be submitted to the LESO electronically and manual requisitions after this date will be disapproved.

The legislation for the 1033 Program is broad in nature. DLA does not have a published official list of items deemed "not authorized" for issuance under this program. Property transferred by the OSD is discretionary based on a determination by the LESO on what is excess to the needs of DOD and deemed suitable for use by law enforcement activities. The 1033 Program is administered in accordance with a Memorandum of Agreement (MOA) between DLA and each participating state and territory and DLA Directive (DLAD) 4160.10, "Transfer of Excess Personal Property for Law Enforcement Activities", dated May 30, 2000. Policies are established in consultation with the U.S. Department of Justice's National Institute of Justice (DOJ/NIJ). In cases where the law enforcement application is not readily apparent, LESO requests additional justifications for these items through the applicable State Coordinator.

The LESO will approve additional quantities of excess property beyond the amount originally requested only after the request has been approved by the Governor-appointed State Coordinator electronically or via fax. If the additional quantities are approved, documentation from the State and the LESO will be placed in the LEA's file. The LESO will then contact the DRMO and provide authorization either electronically or via fax. Only after the DRMOs receive this authorization can additional quantities be issued to an LEA.

**Internal Management Control Weakness:** DLA did not have adequate controls to ensure accountability of DOD excess property issued through the 1033 Program. The recommendations in this report, if implemented, will correct the material weakness. (See page 13 of report.)

**DLA RESPONSE:** Concur. These controls will be discussed in section II of this response.

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## **II. Recommendations:**

### **1. The Director, DLA develop and implement written standard operating procedures and guidance for the 1033 Program that include:**

#### **a. Procedures and criteria for approval and disapproval of LEA property requests and routine periodic reconciliations of databases.**

##### **DLA RESPONSE: Concur.**

DLAD 4160.10 does not address approval and disapproval criteria for property issued under the 1033 Program. The LESO relies on the Governor-appointed State Coordinators to scrutinize requests sent to the LESO for final approval. The LESO requests written justifications for those item requests where the law enforcement application is not readily apparent and where the quantity of requested material seems excessive for the number of the agency's sworn officers. If the LESO still cannot make a determination whether to approve or disapprove a request, DOJ/NIJ is contacted. The goal of the program is to help local law enforcement activities by increasing the quality and quantity of equipment they have to carry out their duties. Each request is evaluated on a case by case basis because each is unique.

DLA is currently developing a "One Book" that will be the "Corporate" repository for policies, processes and procedures. The first iteration the DLA One Book is expected to be complete this year and includes the operating procedures and guidance for the 1033 Program.

The LESO's current internal operating procedures have been/are being modified to address some of the concerns raised by the Department of Defense Inspector General (DODIG). Some of the modifications include, but are not limited to:

- Revising the MOA, Compliance Review Checklist and State Plan of Operation to increase property accountability for participating LEAs;
- Monthly reconciliations between the LESO, DRMS and the States to ensure a complete audit trail of property and accountability;
- Annual reconciliation of High Dollar/High Sensitivity Items (aircraft, weapons, peacekeepers/armored personnel carriers, night vision goggles, nuclear, biological chemical masks);
- LESO disposal approval of demilitarization and non-demilitarization items;
- Improving CMIS security by inserting a "read only" control for most users.

The LESO conducted a "Murder Board" session with the State Coordinators to discuss the new MOA, Compliance Review Checklist and State Plan of Operation in May 2003. Implementation of these three updated documents is scheduled for October 1, 2003.

##### **Disposition:**

- (X) Action is ongoing. ECD: October 1, 2003
- ( ) Action is considered complete.

**b. Written requisitions for additional quantities requested by LEAs that are in excess of the quantity originally approved by the LESO.**

**DLA RESPONSE:** Concur.

The LESO will only approve additional quantities of excess property only after the request has been approved by the Governor-appointed State Coordinator electronically or via fax. If the additional quantities are approved, documentation from the State and the LESO will be placed in the LEA's file. The LESO will contact the DRMO and provide authorization either electronically or via fax. DRMS has implemented operating procedures regarding these property issues.

**Disposition:**

- ( ) Action is ongoing. ECD:
- (X) Action is considered complete.

**c. Documented State and LESO approval of additional quantities requested by LEAs.**

**DLA RESPONSE:** Concur.

The LESO will only approve additional quantities of excess property only after the request has been approved by the Governor-appointed State Coordinator electronically or via fax. If the additional quantities are approved, documentation from the State and the LESO will be placed in the LEA's file. The LESO will contact the DRMO and provide authorization either electronically or via fax.

**Disposition:**

- ( ) Action is ongoing. ECD:
- (X) Action is considered complete.

**d. Mandatory use of the automated processing system of the 1033 Program for requisitioning, approving, and issuing items for the entire requisition process, including additional quantities.**

**DLA RESPONSE:** Concur.

An online excess property request application was implemented in conjunction with DRMS in May 2002 for the 1033 Program. The goal of this system is to eliminate a previously 100% manual excess property request system and allow LEAs the same access that DOD customers have when screening excess DOD property. This application also integrates the LESO CMIS and the DRMS data systems. LESO customers were notified in October 2002 that effective October 1, 2003 all excess property requests must be submitted to the LESO electronically and manual requisitions after this date will be disapproved. It is each state's responsibility to ensure their LEAs have this capability.

**Disposition:**

Action is ongoing. ECD: October 1, 2003.

Action is considered complete.

**2. The DODIG recommends that the Director, DRMS:**

- a. Revise the DRMS Instruction 4160.14, on batch-lotting to ensure that the quantity of items in a batch-lot are accurately identified.**

**DRMS RESPONSE:** N/A

By implementing 100 percent use of the automated processing system of the 1033 Program for requisitioning, approving, issuing, and quantity adjustments, DRMS is addressing the quantity discrepancies associated with "issuing" from batch-lots or any other "issue" to LEAs.

**Disposition:**

Action is ongoing. ECD:

Action is considered complete.

- b. Implement digital storage (WEBDOCS) of DOD excess property issuance documentation. Specifically, the signed documentation that indicates the person from the LEA that picked up the property should be scanned into the database.**

**DRMS RESPONSE:** Concur in concept.

Electronic storage of DOD excess property issuance documentation supports the DRMS corporate strategy of moving information not property. WEBDOCS is only one method of electronic storage being considered. DRMS will ensure controls are in place to ensure issues are made only to authorized recipients.

**Disposition:**

Action is ongoing. ECD:

Action is considered complete.

## **Team Members**

The Readiness and Logistics Support Directorate, Office of the Deputy Inspector General for Auditing of the Department of Defense prepared this report. Personnel of the Office of the Inspector General of the Department of Defense who contributed to the report are listed below.

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