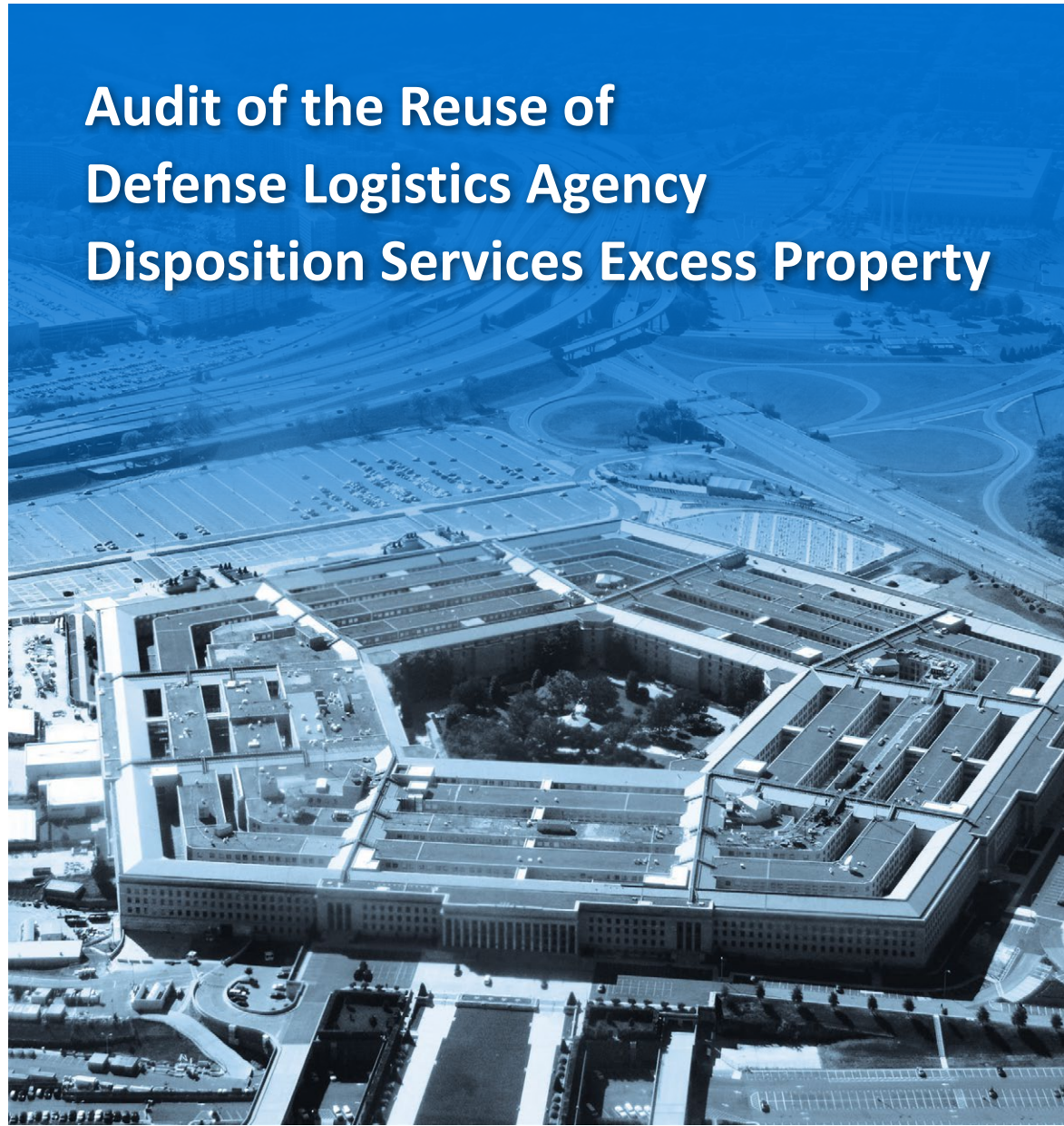




INSPECTOR GENERAL

U.S. Department of Defense

JUNE 15, 2022



Audit of the Reuse of Defense Logistics Agency Disposition Services Excess Property

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE





Results in Brief

Audit of the Reuse of Defense Logistics Agency Disposition Services Excess Property

June 15, 2022

Objective

The objective of this audit was to determine whether DoD Components used excess Defense Logistics Agency (DLA)-managed property to fill existing needs (known as reutilization) before initiating new procurements for the same items.

Background

The DLA is the nation's combat logistics support agency for the Military Services, combatant commands, other Federal agencies, and partner nations. When DoD Components have property they no longer need, they provide that excess property to the DLA. Within the DLA, DLA Disposition Services receives and processes the excess property for reuse or disposal. DLA Disposition Services provides visibility and promotes maximum reuse of excess property.

DoD Components may reuse excess property from DLA Disposition Services at little to no cost to the receiving activity. Reusing excess property reduces the need to purchase new items. DoD and Service-specific policy promote the maximum reuse of excess property to satisfy requirements before purchasing new property.

DLA Disposition Services screens incoming excess property and maintains information about the excess property in its inventory management system—the Distribution Standard System. Once the excess property is in DLA Disposition Services inventory, the DLA redistributes the property through reuse, transfer, donation, sale, or destruction within a 42-day window.

Background (cont'd)

We reviewed DLA Disposition Services reuse and redistribution data for DLA-managed items in serviceable, like-new condition but not reused by DoD Components during 2020. Our analysis of the reuse and redistribution data identified the items DoD Components could have reused but did not. We focused our review on the Military Services and identified whether the Military Services purchased these same items new from the DLA when the items were available for reuse from DLA Disposition Services. Therefore, we reviewed DLA sales to the Military Services from November 1, 2019, through January 31, 2021. Our analysis of this sales data identified new purchases by the Military Services from the DLA for the same items that were available for reuse at DLA Disposition Services.

Finding

In 2020, the Military Services reused 166,421 items, valued at \$18.1 million, from excess property inventory in serviceable, like-new condition at DLA Disposition Services. The Military Services could have avoided purchasing up to an additional 132,838 DLA-managed items, valued at \$5.2 million, by reusing serviceable, like-new property already available at DLA Disposition Services.

The Military Services did not reuse up to 132,838 serviceable, like-new excess property because DLA Disposition Services and the Military Services did not sufficiently:

- promote awareness of excess property available at DLA Disposition Services although DoD policy required the DLA to promote awareness and DoD Components to maximize reuse of excess property, or
- address ordering personnel concerns about condition code accuracy and serviceability of the excess property at DLA Disposition Services.

In addition, the Military Services did not reuse property available from DLA Disposition Services because the Military Services and DLA systems did not communicate with each other. The lack of interoperability between the systems



Results in Brief

Audit of the Reuse of Defense Logistics Agency Disposition Services Excess Property

Finding (cont'd)

required ordering personnel to check and place orders for DLA Disposition Services property manually, which discouraged the reuse of excess property.

As a result of not reusing available excess property from DLA Disposition Services, the Military Services wasted up to \$5.2 million by purchasing items that they could have obtained at little to no cost. Reusing serviceable, like-new property from DLA Disposition Services rather than initiating new purchases allows the Military Services to allocate funds to other critical areas and demonstrates good stewardship of taxpayer money.

Recommendations

We recommend that the Director of the DLA, in coordination with DLA Disposition Services:

- Promote excess property reuse by establishing and offering periodic educational sessions with Military Department headquarters and Military Service activities.
- Develop a process to track condition code inaccuracies for technical and non-technical items. Periodically summarize inaccurate condition codes and report the inaccuracies to Military Department headquarters and Military Service activities.
- Consider that the requirements for the replacement system include a capability to assist ordering personnel in identifying opportunities to reuse available excess property from DLA Disposition Services.

We recommend that Headquarters officials in the Army, Navy, and Air Force:

- Reinforce and periodically communicate to ordering activities DoD and Service-specific policies to promote maximizing reuse and DLA Disposition Services reuse resources.

- Establish a process to ensure that activity ordering personnel comply with DoD and Service-specific policy for completing reuse training, including ensuring that all staff complete the training, and newly-hired ordering personnel are trained on the reuse of excess property within a few months of starting their duties.
- Reinforce DoD and Service-specific policy and guidance on proper assignment of condition codes when turning property in to DLA Disposition Services.
- Collaborate with DLA Disposition Services to identify and implement training, educational sessions, or another solution to improve condition code accuracy for items the Military Services turn in to DLA Disposition Services.
- Establish an internal control mechanism such as monitoring or periodic assessments to ensure assignment of accurate condition codes on turn-in documentation.
- Review the DLA Disposition Services report on inaccurate condition codes and take action to identify why the inaccurate condition codes occurred and to mitigate future inaccurate condition code assignments.

Management Comments and Our Response

The Deputy Director, DLA Logistics Operations, responding on behalf of the DLA Director, agreed that the DoD should maximize the reuse of excess property. The Deputy Director disagreed with two recommendations and agreed with one recommendation. The comments from the Deputy Director did not fully address the intent of two recommendations and addressed the intent of one recommendation. Two recommendations are unresolved and open, and one recommendation is resolved and open.



Results in Brief

Audit of the Reuse of Defense Logistics Agency Disposition Services Excess Property

Comments (cont'd)

The Acting Deputy Chief of Staff, Army G-4 agreed with the need to maximize the reuse of DLA excess property held at DLA Disposition Services but disagreed with the recommendations. The comments from the Acting Deputy Chief of Staff did not address the intent of the recommendations. All of the recommendations are unresolved and open.

The Acting Deputy Chief of Staff disagreed with the potential monetary benefits calculation and stated that the analysis did not take into account the location of the demand versus the location of supply, distribution costs, or readiness impacts.

We acknowledge that the analysis did not take into account the location of the demand versus the location of the supply, distribution costs, or readiness impacts; however, we identified throughout the report that the \$5.2 million in missed reuse opportunities may be lower based on mission, schedule, or cost exceptions for reusing excess property. While exceptions to reusing property from DLA Disposition Services do exist, our analysis identified that the Army had an additional 250,398 opportunities across 4,640 activities to reuse excess property but did not.

The Deputy Chief of Naval Operations for Fleet Readiness and Logistics agreed with all six recommendations. The comments from the Deputy Chief addressed the intent of one recommendation and did not address the intent of five recommendations. One recommendation is resolved and open and five recommendations are unresolved and open.

The Assistant Deputy Chief of Staff for Logistics, Engineering, and Force Protection for the Air Force agreed with all six recommendations. The comments from the Assistant Deputy Chief of Staff addressed the intent of four recommendations and did not address the intent of two recommendations. Four recommendations are resolved and open and two recommendations are unresolved and open.

For the recommendations that are resolved and open, we will close them once management provides documentation demonstrating that it has implemented the presented actions. For the unresolved recommendations, we request that management provide comments on this final report.

Please see the Recommendations Table on the next page for the status of the recommendations.

Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Director, Defense Logistics Agency	1.a, 1.b	1.c	None
Deputy Chief of Staff of the Army, G-4 (Logistics)	2.a, 2.b, 2.c, 2.d, 2.e, 2.f	None	None
Deputy Chief of Naval Operations for Fleet Readiness and Logistics	2.b, 2.c, 2.d, 2.e, 2.f	2.a	None
Chief of the Logistics Readiness Division, Headquarters Air Force (Logistics, Engineering, and Force Protection)	2.d, 2.e	2.a, 2.b, 2.c, 2.f	None

Please provide Management Comments by July 15, 2022.

Note: The following categories are used to describe agency management's comments to individual recommendations.

- **Unresolved** – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- **Resolved** – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **Closed** – The DoD OIG verified that the agreed upon corrective actions were implemented.



**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500**

June 15, 2022

**MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION
AND SUSTAINMENT**

**DIRECTOR, DEFENSE LOGISTICS AGENCY
AUDITOR GENERAL, DEPARTMENT OF THE NAVY
AUDITOR GENERAL, DEPARTMENT OF THE ARMY
AUDITOR GENERAL, DEPARTMENT OF THE AIR FORCE**

**SUBJECT: Audit of the Reuse of Defense Logistics Agency Disposition Services Excess Property
(Report No. DODIG-2022-105)**

This final report provides the results of the DoD Office of Inspector General's audit. We previously provided copies of the draft report and requested written comments on the recommendations. We considered management's comments on the draft report when preparing the final report. These comments are included in the report.

This report contains 15 recommendations that we consider unresolved because the Defense Logistics Agency Deputy Director of Logistics Operations (Recommendations 1.a, 1.b); Army Deputy Chief of Staff for Logistics Operations (Recommendations 2.a, 2.b, 2.c, 2.d, 2.e, 2.f); Deputy Chief of Naval Operations for Fleet Readiness and Logistics (Recommendations 2.b, 2.c, 2.d, 2.e, 2.f); and Air Force Assistant Deputy Chief of Staff for Logistics, Engineering and Force Protection (Recommendations 2.d, 2.e) did not agree or did not fully address the recommendations presented in the report. Therefore, as discussed in the Recommendations, Management Comments, and Our Response section of this report, these recommendations remain open. We will track these recommendations until an agreement is reached on the actions that management will take to address the recommendations, and management submits adequate documentation showing that all agreed-upon actions are completed.

DoD Instruction 7650.03 requires that recommendations be resolved promptly. Therefore, please provide us within 30 days your response concerning specific actions in process or alternative corrective actions proposed on the 15 unresolved recommendations. Send your response to: audrgo@dodig.mil if unclassified or rfunet@dodig.smil.mil if classified SECRET.

This report also contains six recommendations that are considered resolved and open. The Defense Logistics Agency Deputy Director of Logistics Operations (Recommendation 1.c), Deputy Chief of Naval Operations for Fleet Readiness and Logistics (Recommendation 2.a), and the Air Force Assistant Deputy Chief of Staff for Logistics, Engineering and Force Protection (Recommendations 2.a, 2.b, 2.c, 2.f), agreed to address the recommendations presented in the report. As described in the Recommendations, Management Comments, and Our Response section of this report, we will close the recommendations when management provides us documentation showing that all agreed-upon actions to implement the recommendations are

completed. Therefore, please provide us within 90 days your response concerning specific actions in process or completed on these six recommendations. Send your response to either followup@dodig.mil if unclassified or rfunet@dodig.smil.mil if classified SECRET.

If you have any questions or would like to meet to discuss the audit, please contact me at [REDACTED]. We appreciate the cooperation and assistance received during the audit.



Richard B. Vasquez
Assistant Inspector General for Audit
Readiness and Global Operations

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Introduction

Objective

The objective of this audit was to determine whether DoD Components used excess Defense Logistics Agency (DLA)-managed property to fill existing needs (known as reutilization) before initiating new procurements for the same items. See Appendix A for our scope and methodology.

Background

The DLA is the nation's combat logistics support agency for the Military Services, combatant commands, other Federal agencies, and partner nations. The DLA supplies products and services such as spare parts, fuel, consumables, product catalogs, document automation, and production services. Additionally, the DLA manages the reuse and disposal of excess DoD property.

DLA Disposition Services

Within the DLA, Disposition Services, headquartered in Battle Creek, Michigan, manages the reuse and disposal of excess DoD property. Excess property refers to items that DoD Components purchased but no longer need. DoD Components turn in this property to DLA Disposition Services, which has more than 100 field sites throughout the world that receive and process the excess property for disposition.¹ Disposition activities include the reuse or redistribution of property. Redistribution can include actions such as transfer, donation, disposal, sale, or the demilitarization or destruction of an item.² DoD Components may reuse excess property from DLA Disposition Services at little to no cost to the receiving activity, resulting in significant potential savings for the DoD.³ In addition, other Federal agencies, state or local governments, and eligible non-profit agencies may reuse DLA Disposition Services excess property.

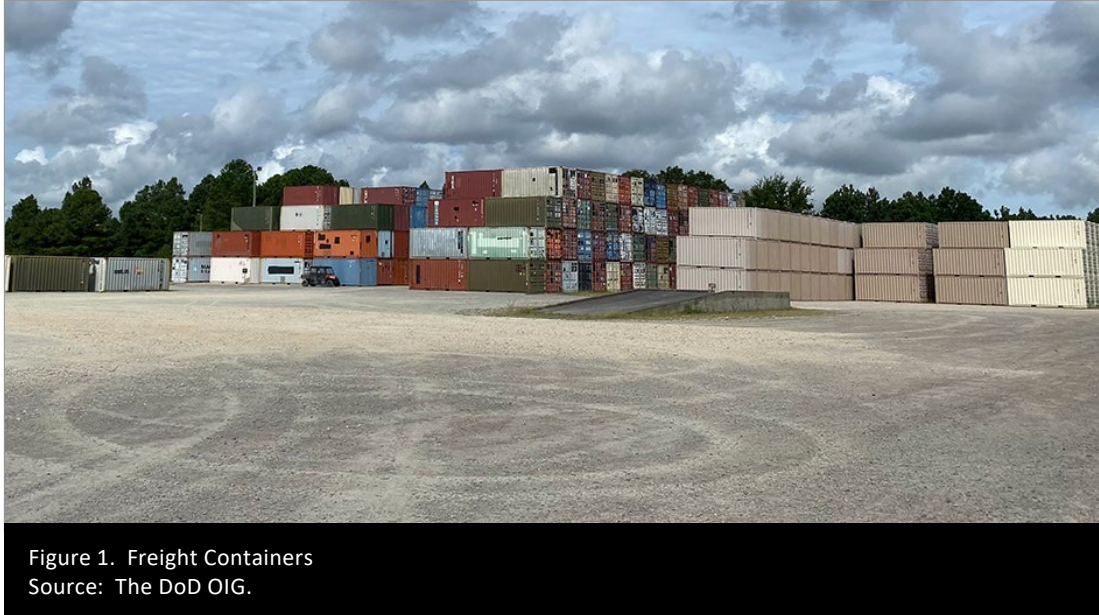
According to the DLA, in FY 2020, DLA Disposition Services customers reused nearly 2.5 million items worth more than \$1.7 billion of the \$25 billion of excess property turned in by DoD Components. The excess property inventory changes daily and includes thousands of items such as air conditioners, vehicles, clothing, computers, and medical equipment. For example, during the coronavirus disease-2019 pandemic, DLA Disposition Services provided 2.9 million medical

¹ For the purposes of this report, DoD Components include the Military Services and other DoD activities. Excess property (also referred to as DoD excess "personal property") does not include real property, such as land or buildings.

² For the purposes of this report, we refer to disposition activities as redistribution. Demilitarization removes the inherent military characteristics from an item, rendering it unusable for its originally intended military purpose.

³ In most cases, reuse is at no cost to the receiving activity and there is no shipping charge.

items worth \$28 million from its excess property inventory to State agencies in FY 2020. Figure 1 shows an example of excess property available for reuse through DLA Disposition Services.



Responsibilities for Reuse of DLA Disposition Services Excess Property

DoD Manual 4160.21, Volume 1, details the procedures and processes for the disposition of DoD excess property by DoD Components.⁴ According to the Manual, the DLA Director should promote maximum reuse of excess property and pursue all possible avenues to endorse reuse of excess DoD property to prevent unnecessary purchases. In addition, the Manual states that DLA Disposition Services should provide visibility and promote maximum reuse of its excess property inventory. DoD Manual 4160.21, Volume 3, states that DoD Components should reuse DoD excess property to the maximum extent feasible to fill existing needs without sacrificing mission or schedule or when the cost of acquiring the property exceeds its purchase value.⁵ For example, DoD Components might choose not to reuse critical safety items when the item's condition could affect life, health, or safety, or to fill urgent requirements. The Manual also states that DoD Components should review DLA Disposition Services excess property inventory to satisfy needs before purchasing new property.

⁴ DoD Manual 4160.21, Volume 1, "Defense Materiel Disposition: Disposal Guidance and Procedures," October 22, 2015 (Incorporating Change 3, October 2, 2019).

⁵ DoD Manual 4160.21 Volume 3, "Materiel Disposition: Reutilization, Transfer, and Sale of Property," October 22, 2015 (Incorporating Change 3, September 30, 2019). DoD reuse is accomplished electronically through Military Standard Requisitioning and Issue Procedures and DLA Transaction Services on the DLA Disposition Services website.

In addition to the DoD policy, each of the Military Services have Service-specific policy related to the reuse of excess property. Specifically, Army policy requires personnel to use DLA Disposition Services as a potential source of supply before procuring new items.⁶ Navy policy requires purchasing officials from the Navy and Marine Corps to maximize reuse and purchasing efficiencies by reviewing the enterprise-wide availability of existing property before initiating new purchases.⁷ Finally, Air Force policy requires the maximum reuse of available property before acquiring additional property, including reusing property from DLA Disposition Services.⁸

Excess Property Reuse and Redistribution Processes

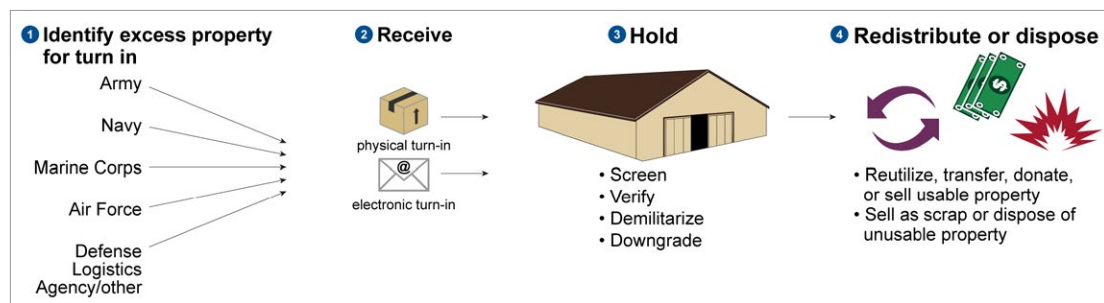
As DLA Disposition Services receives excess property, it holds the property for processing (screening, verifying, and demilitarizing) and enters information about the excess property into its inventory management system—the Distribution Standard System.

Once the excess property is in DLA Disposition Services inventory, the DLA redistributes the property using the following methods.

- Reusing the property within the DoD or special programs, such as foreign military sales, law enforcement, or firefighting.
- Transferring the property to other Federal agencies.
- Donating the property to state and local agencies or other organizations.
- Selling or destroying the property if not reused, transferred, or donated.

Figure 2 shows the DLA Disposition Services property reuse, redistribution, and disposal process.

Figure 2. Excess Property Reuse, Redistribution, and Disposal Process



Source: The Government Accountability Office.

⁶ Army Regulation 710-1, "Centralized Inventory Management of the Army Supply System," November 28, 2016.

⁷ Secretary of the Navy Instruction 5200.44, "Operating Material and Supplies," March 29, 2019.

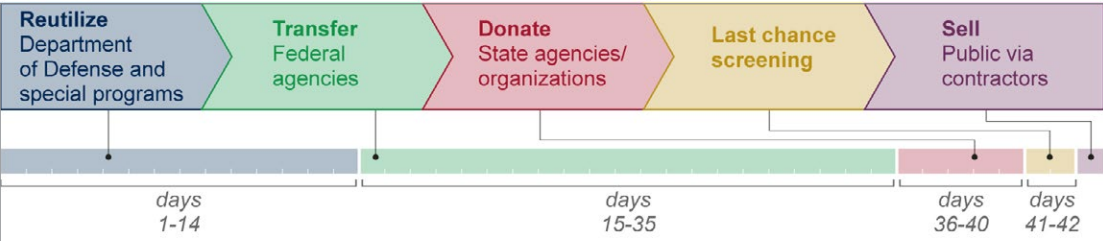
⁸ Air Force Instruction 23-101, "Materiel Management Policy," October 22, 2020.

DLA Disposition Services accumulates, inspects, and adds property to the excess property inventory system. This accumulation period ends each Friday, after which begins a 42-day timeline for the DoD, special programs, and Federal civilian agencies to review available excess property and reuse it, known as “screening.” The 42-day screening timeline is composed of the following periods (in procedural order).

- **DoD and Special Programs Screening Cycle (14 days).** The DoD and special programs have exclusive ordering authority during the first 14 days of the screening timeline. The DoD has priority during this cycle for its reuse requirements and DLA Disposition Services will not issue property to special programs until the end of this cycle.
- **Federal Civilian Agencies and Donations Screening Cycle (21 days).** At the end of the DoD-exclusive screening cycle, the General Services Administration assumes control of Federal agency transfer and donation screening of DoD excess property. However, the excess property remains in DLA Disposition Services inventory and is still available for reuse by the DoD through the General Services Administration.
- **General Services Administration Allocation to Donations (5 days).** The following 5 days are set aside for the General Services Administration to allocate assets to fill donation requests.
- **Final Reuse, Transfer, and Donation Screening (2 days).** Any remaining property is available to all customers during the final 2 days of screening on a first-come, first-served basis through DLA Disposition Services. Following the final 2 days of screening, unclaimed, usable property viable for sale is sold through DLA Disposition Services’ commercial contracts and property not viable for sale is scrapped or disposed of through DLA Disposition Services.

Figure 3 depicts a summary of the 42-day screening timeline.

Figure 3. Summary of Screening and Issue Timelines for Excess Property



Source: The Government Accountability Office.

Process to Request DLA Disposition Services Property

Customers may search for and request DLA Disposition Services excess property available through the online DLA Disposition Services reuse, transfer, and donation system.⁹ Customers may tailor their property searches by national stock numbers (NSNs), Federal Supply Class, item name, or other values.¹⁰ If a specific item is not available in DLA Disposition Services excess property inventory, the customer may create a “want list.” This feature will automatically query specific NSNs and notify the customer when that item becomes available in the DLA Disposition Services excess property inventory. Once that item is available in excess property inventory, the Military Service activity receives an electronic notification to initiate an order for that property.¹¹ In 2020, DoD Components reused \$88.9 million of serviceable, like-new property from DLA Disposition Services, of which the Military Services reused \$81.1 million.¹²

What We Reviewed

We reviewed DLA Disposition Services reuse and redistribution data for DLA-managed items in serviceable, like-new condition but not reused by DoD Components during 2020. Our analysis of the reuse and redistribution data identified the items DoD Components could have reused but did not. We focused our review on the Military Services to identify whether the Military Services bought these same items new from the DLA when the items were available for reuse from DLA Disposition Services excess property inventory. In addition, we reviewed DLA sales to the Military Services from November 1, 2019, through January 31, 2021.¹³ Our analysis of this sales data identified new purchases by the Military Services from the DLA for the same items that were available for reuse at DLA Disposition Services.¹⁴ We focused our analysis on DLA-managed items in DLA Disposition Services excess property inventory that were in serviceable, like-new condition (Condition Code A). A condition code identifies the serviceability of DoD property. Using these parameters for the type of property, we reviewed DLA Disposition Services redistribution data from

⁹ To search for property, customers must register for account access and request permission to reuse property from DLA Disposition Services.

¹⁰ An NSN is the official label applied to an item of supply repeatedly purchased, stocked, stored, issued, and used throughout the Federal supply system. The Federal Supply Class groups similar items of supply into categories to support supply management.

¹¹ “Military Service activities” refers to unique DoD activity address codes or units.

¹² We did not include the DLA within the DoD Component analysis because we previously audited its reuse process in Report No. DODIG-2019-121, “Followup Audit of the Defense Logistics Agency’s Management of Excess Items in Long-Term Storage,” September 6, 2019.

¹³ We chose these dates to account for the 42-day screening timeline.

¹⁴ For the purposes of this report, we focused on the Military Services because the value of the Military Services’ missed opportunities to reuse excess property was up to \$5.2 million (97.9 percent), whereas the value of the other DoD activities’ missed opportunities to reuse excess property was up to \$112,669 (2.1 percent).

January 1, 2020, through December 31, 2020. Based on this data, we determined that DoD Components did not reuse more than 2.1 million serviceable, like-new items managed by the DLA (29,091 unique NSNs) with an acquisition value of \$142.6 million.

We requested DLA sales data from November 1, 2019, through January 31, 2021, for these 29,091 unique DLA-managed NSNs.¹⁵ DLA sales data identified that the Military Services purchased 12,002 of the 29,091 NSNs from the DLA between November 1, 2019, and January 31, 2021. The 12,002 NSN purchases by the Military Services included 1.93 million transactions valued at \$841.1 million. Table 1 summarizes DLA sales data for DLA-managed items that the Military Services purchased, and their dollar value.¹⁶

Table 1. DLA Sales of DLA-Managed Items to the Military Services in 2020

Military Service	Number of NSNs	Number of Transactions	Quantity of Items	Total Value
Army	8,234	1,540,783	10,679,718	\$563,281,515
Navy	4,654	110,828	2,826,879	101,610,858
Air Force	3,381	157,688	1,532,408	101,423,549
Marine Corps	3,767	119,061	1,360,737	74,809,568
Total	20,036*	1,928,360	16,399,742	\$841,125,490

* The total of 20,036 NSNs is different from the previously cited total of 12,002 NSNs purchased from the DLA because each of the Military Services can purchase the same NSNs.

Source: DoD OIG analysis of DLA sales data.

Using the 42-day reuse screening cycle timeframe, we compared the items that the Military Services did not reuse to the DLA sales data to determine whether the Military Services initiated new purchases for items available from excess property inventory at DLA Disposition Services at the time of purchase. To identify reasons why the Military Services were not reusing DLA Disposition Services property we met with personnel from the Army, Navy, Air Force, and Marine Corps at the headquarters, command, and activity level. We interviewed Military Service personnel at 16 different ordering activities. See Appendix A for our scope and methodology.

¹⁵ Although the redistribution data included dates from January 1, 2020, through December 31, 2020, we expanded this date range for DLA sales data to November 1, 2019, through January 31, 2021, to account for the screening cycle before and after the potential reuse, redistribution, or scrap date. DLA-managed NSNs are items of supply controlled by the DLA that are procured, stocked, stored, issued, and used throughout the Federal supply system.

¹⁶ We omitted the Space Force, as it is a new military branch established on December 20, 2019. As a result, we determined there has not been adequate time for the Space Force to develop policy to enforce maximum reuse of excess property.

Review of Internal Controls

DoD Instruction 5010.40 requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls.¹⁷

We identified internal control weaknesses where the Military Services purchased new items that were available for reuse at little to no cost in excess property inventory at DLA Disposition Services. We will provide a copy of the final report to the senior officials responsible for internal controls in the DLA and the Departments of the Army, Navy, and Air Force.

¹⁷ DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013, (Incorporating Change 1, June 30, 2020).

Finding

The Military Services Missed Opportunities to Reuse Serviceable, Like-New Excess Property

In 2020, the Military Services reused 166,421 DLA-managed items, valued at \$18.1 million, from excess property inventory in serviceable, like-new condition at DLA Disposition Services. The Military Services could have avoided purchasing up to an additional 132,838 DLA-managed items, valued at \$5.2 million, by reusing serviceable, like-new property already available at DLA Disposition Services.¹⁸

The Military Services did not reuse up to 132,838 serviceable, like-new excess property items because DLA Disposition Services and the Military Services did not sufficiently:

- promote awareness of excess property available at DLA Disposition Services although DoD policy required the DLA to promote awareness and DoD Components to maximize reuse of excess property, or
- address ordering personnel concerns about condition code accuracy and serviceability of the excess property at DLA Disposition Services.

In addition, the Military Services initiated new purchases for property that was available for reuse from DLA Disposition Services because the Military Services and DLA systems did not communicate with each other. This lack of interoperability between the systems required ordering personnel to check DLA Disposition Services excess property inventory manually and potentially place orders in multiple systems, which discouraged the reuse of excess property.

As a result of not reusing available excess property inventory at DLA Disposition Services, the Military Services wasted up to \$5.2 million by purchasing 132,838 items that they could have obtained at little to no cost. Reusing serviceable, like-new property from DLA Disposition Services allows the Military Services to allocate funds to other critical areas and demonstrates good stewardship of taxpayer money.

¹⁸ The identified \$5.2 million may be lower based on mission, schedule, or cost exceptions for reusing excess property identified in DoD Manual 4160.21, Volume 3.

Opportunities Existed to Increase the Reuse of Serviceable, Like-New Excess Property

In 2020, the Military Services reused 166,421 DLA-managed items with a total value of \$18.1 million, but could have reused up to an additional 132,838 (valued at \$5.2 million) DLA-managed items. These 132,838 items were in serviceable, like-new condition and available in DLA Disposition Services excess property inventory at the time the Military Services initiated the new purchases. Table 2 shows the breakdown of the quantity and dollar value of serviceable, like-new DLA-managed items that the Military Services reused in 2020.¹⁹

Table 2. Excess DLA-Managed Property Reused by the Military Services in 2020

Military Service	Quantity of Items	Total Value
Army	62,192	\$8,182,833
Navy	71,488	6,018,353
Air Force	21,080	1,902,182
Marine Corps	11,661	1,962,857
Total	166,421	\$18,066,225

Source: DoD OIG analysis of DLA Disposition Services data.

Although the Military Services reused more than \$18 million in excess property, they missed opportunities to reuse other excess property available at DLA Disposition Services. Specifically, 2,804 Military Service activities could have avoided purchasing up to an additional 132,838 DLA-managed items. See Table 3 for the DLA-managed property that the Military Services purchased instead of reusing from DLA Disposition Services in 2020.

¹⁹ For the purposes of this report, we focused the DoD Component review on the Military Services because the other DoD activities' purchase and reuse data were immaterial to the overall value.

Table 3. Serviceable, Like-New Excess Property Purchased Instead of Reused

Military Service	Excess Property Purchased Instead of Reused in 2020 ¹		
	Number of Activities	Quantity of Items	Total Purchase Amount
Army	1,684	74,882	\$2,689,355
Navy	527	13,283	1,158,014
Air Force	292	14,412	616,788
Marine Corps	301	30,261	701,901
Total	2,804	132,838	\$5,166,058²

¹ Includes only serviceable, like-new DLA-managed property.

² The \$5.2 million may be lower based on mission, schedule, or cost exceptions for reusing excess property identified in DoD Manual 4160.21, Volume 3.

Source: DoD OIG analysis of DLA reuse, redistribution, and sales data.

As stated previously, DoD policy requires the Military Services to consider excess property as a potential source of supply when feasible. However, situations may exist where it is not appropriate for the Military Services to reuse excess property, such as circumstances affecting mission or schedule or when the cost of acquiring the property exceeds its purchase value. Specifically, an ordering activity might choose to not reuse excess property when there are urgent requirements; when reusing critical safety items could affect life, health, or safety; or when transportation cost exceeds property value. See the following examples.

- One Army depot cited safety concerns since it could not trace DLA Disposition Services parts back to the original equipment manufacturer.
- One Navy activity cited life and safety concerns when using parts designated for use in weapons systems that lives rely on.
- One Air Force activity cited life and safety concerns when using parts designated as critical for flight safety.
- Marine Corps Installations and Logistics cited urgent requirements as a concern, stating that DLA Disposition Services does not expedite requisitions for urgent requirements.

To determine whether the Military Services purchased new items instead of reusing available items, we compared the Military Services' purchases to items that were available for reuse at DLA Disposition Services during the time of the purchase. The following examples illustrate items in serviceable, like-new condition that Military Service activities could have reused from DLA Disposition Services, but purchased through the DLA instead. Because the Military Services did not reuse these available items, DLA Disposition Services later sold, donated, or destroyed these serviceable, like-new items.

Example 1. Lighting Fixtures

The Navy had the opportunity to reuse the lighting fixture shown in Figure 4, but did not. Instead, the Navy purchased new lighting fixtures through the DLA and DLA Disposition Services sold the fixtures available in its excess property inventory to a private entity 29 days after the last Navy purchase. Specifically, seven Navy activities purchased 175 lighting fixtures from the DLA when 160 of the lighting fixtures were available in DLA Disposition Services excess property inventory in serviceable, like-new condition at the time of purchase. The Navy could have saved \$23,136 by reusing the 160 serviceable, like-new lighting fixtures available for reuse at DLA Disposition Services and reduced the new purchase from 175 to only 15 lighting fixtures. Figure 4 and Table 4 provide a picture and summary for the disposition of the lighting fixture by DLA Disposition Services.



Figure 4. Lighting Fixture
Source: Energy Focus website.

Table 4. Summary of the Missed Opportunity to Reuse a Lighting Fixture

Example 1 – Sold by DLA Disposition Services			
Item	Lighting Fixture	Purchase Information	175 purchased for a total of \$25,305 February 3 – 17, 2020 Seven Navy activities
Date Posted to Excess Property Inventory	January 28, 2020	Disposition	SOLD 160 to private entity March 17, 2020
In Excess Property Inventory	160 Like-New \$144.60 Unit Price	Potential Savings	\$23,136

Source: DoD OIG analysis of DLA reuse, redistribution, and sales data.

Example 2. Electric Space-Heating Elements

The Air Force had the opportunity to reuse the electric space-heating element shown in Figure 5, but did not. Instead, the Air Force purchased new electric space-heating elements through the DLA. DLA Disposition Services donated the serviceable, like-new heating elements through the General Services Administration in Texas 17 days after the Air Force purchased the same heating elements new. Specifically, one Air Force activity purchased 24 electric space-heating elements from the DLA when 16 of the space heating elements were available in DLA Disposition Services excess property inventory in serviceable, like-new condition at the time of purchase. The Air Force could have saved \$18,167 by reusing the 16 serviceable, like-new heating elements available for reuse at DLA Disposition Services and reduced the new purchase from 24 to only 8 heaters. Figure 5 and Table 5 provide a picture and summary for the disposition of the electric space-heating elements by DLA Disposition Services.



Table 5. Summary of the Missed Opportunity to Reuse an Electric Space-Heating Element

Example 2 – Donated by DLA Disposition Services			
Item	Electric Space-Heating Element	Purchase Information	24 purchased for \$27,250 October 16, 2020 One Air Force activity
Date Posted to Excess Property Inventory	September 21, 2020	Disposition	DONATED 16 through the General Services Administration November 2, 2020
In Excess Property Inventory	16 Like-New \$1,135.42 Unit Price	Potential Savings	\$18,167

Source: DoD OIG analysis of DLA reuse, redistribution, and sales data.

Example 3. Suspension Torsion Bars

The Army had the opportunity to reuse the suspension torsion bar shown in Figure 6, but did not. Instead, the Army purchased new suspension torsion bars through the DLA and DLA Disposition Services disposed of serviceable, like-new torsion bars 2 days after the purchase because there were no requests for them. Specifically, one Army activity purchased 4 suspension torsion bars from the DLA when 11 suspension torsion bars were available in DLA Disposition Services excess property inventory in serviceable, like-new condition at the time of purchase. The Army could have saved \$6,643 by reusing the four serviceable, like-new torsion bars available for reuse at DLA Disposition Services. Figure 6 and Table 6 provide a picture and summary of the disposition of the suspension torsion bar by DLA Disposition Services.

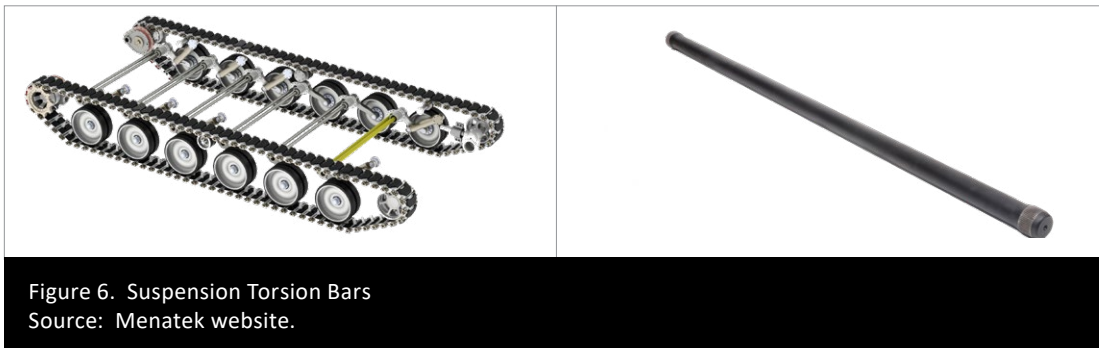


Table 6. Summary of the Missed Opportunity to Reuse a Suspension Torsion Bar

Example 3 – Disposed of by DLA Disposition Services			
Item	Suspension Torsion Bar	Purchase Information	4 purchased for \$6,643 December 10, 2020 One Army activity
Date Posted to Excess Property Inventory	November 23, 2020	Disposition	DISPOSAL 11 December 12, 2020
In Excess Property Inventory	11 Like-New \$1,660.73 Unit Price	Potential Savings	\$6,643

Source: DoD OIG analysis of DLA reuse, redistribution, and sales data.

Awareness and Reliability Concerns Contributed to Missed Reuse Opportunities

The Military Services did not reuse up to 132,838 serviceable, like-new excess property items because DLA Disposition Services and the Military Services did not sufficiently promote awareness of excess property available for reuse through DLA Disposition Services. DoD policy required the DLA to promote awareness and required DoD Components to maximize reuse of excess property. Furthermore, DLA Disposition Services and the Military Services did not address ordering personnel concerns about condition code accuracy and serviceability of the excess property at DLA Disposition Services. In addition, the Military Services initiated new purchases for property that was available for reuse from DLA Disposition Services because the Military Services and DLA systems did not communicate with each other. This lack of interoperability between the systems required ordering personnel to check and place orders for DLA Disposition Services excess property inventory manually, which discouraged the use of this process.

Awareness of DLA Disposition Services Excess Property Was Not Sufficiently Promoted

The Military Services did not reuse serviceable, like-new excess property because DLA Disposition Services and the Military Services did not sufficiently promote awareness of excess property available at DLA Disposition Services although DoD policy required the DLA to promote awareness and DoD Components to maximize reuse of excess property. Specifically, the Military Services and DLA Disposition Services did not sufficiently promote awareness of reuse opportunities through endorsement or training.

Endorsement of Excess Property Available for Reuse Was Not Adequate

DoD Manual 4160.21, Volume 1, states that the DLA is required to pursue all possible avenues to endorse reuse of excess property turned in to DLA Disposition Services. However, DLA Disposition Services performed minimal endorsement with the Military Services on the reuse of excess property in DLA Disposition Services inventory.

According to DLA personnel, the DLA performs endorsement activities through “Service Days” events when DLA personnel meet with Military Service officials to describe the wide range of services that the DLA offers. However, DLA Disposition Services personnel stated that during these Service Days, Military Service

questions guide the discussion topics and the discussion might not focus on the reuse of excess property from DLA Disposition Services. According to DLA personnel, the DLA holds these meetings only once a year with each Military Service. In addition, DLA Disposition Services personnel stated that high personnel turnover within the Military Services contributed to limited awareness of the DLA Disposition Services reuse program.

DoD Manual 4160.21, Volume 3, states that DoD Components should reuse DoD excess property to the maximum extent feasible to fill existing needs without sacrificing mission or schedule. For example, Military Service ordering personnel might choose not to reuse property such as critical safety items when the item's condition could affect life, health, or safety or they might not seek reused property to fill urgent requirements. In addition to DoD policy, each of the Military Services have Service-specific policy requirements promoting the reuse of excess property from DLA Disposition Services as a potential source of supply before procuring new items. Service-specific policy also requires officials to maximize the reuse of excess property. However, 2,804 Military Service activities missed opportunities to reuse excess property. Based on these missed opportunities and our interviews with Military Service ordering personnel from the 2,804 activities, we concluded that the Military Service activities did not believe DLA Disposition Services excess property was a valid source of supply as demonstrated by the following examples.

- One Army activity stated that neither the DLA nor the Army promoted the DLA Disposition Services reuse program. Personnel from another Army activity stated that DLA Disposition Services is not highly advertised, and they were unaware of the excess property as a sourcing option.
- One Navy activity stated that reminders, advertisements, or other communications would remind ordering personnel to check DLA Disposition Services inventory before initiating new orders.
- Two Air Force activities stated that Air Force leadership did not inform them about the DLA Disposition Services reuse program. Personnel from another Air Force activity stated that the activity only reused property from DLA Disposition Services if specifically prompted by a customer.
- One Marine Corps activity stated that ordering personnel may not have enough awareness on the use of DLA Disposition Services.

Rather than relying on infrequent or inconsistent Service Day events that might not specifically cover DLA Disposition Services reuse, the DLA Director, in coordination with DLA Disposition Services, should promote excess property reuse with Military Department headquarters and Military Service activities by

establishing and offering periodic educational sessions. Accordingly, to promote DLA Disposition Services as a supply source, the Military Services should reinforce and periodically communicate to ordering activities the:

- DoD reuse policy that states that DoD Components should reuse DoD excess property to the maximum extent feasible to fill existing needs without sacrificing mission or schedule; and
- Service-specific reuse policies requiring maximizing reuse of excess property as a supply source.

As part of this communication, the Military Services should provide ordering activities details regarding the newly-established DLA Disposition Services educational sessions, reuse website information, and instructions on how to search for and place orders for excess property.

Adequate Training Was Not Provided For Excess Property Reuse

DoD Manual 4160.21, Volume 1, states that it is a DLA responsibility to ensure training courses are available for all personnel associated with the disposal program, including reuse. DLA Disposition Services stated that Disposition Services 101 training is available on its website. The website contains a section on reusing excess property that includes lessons on account access, navigating the Disposition Services website, and searching for and requesting excess property through the DLA Dispositions Services system.

In addition, the Manual states that the Military Services are responsible for ensuring completion of excess property reuse training courses. However, Army, Navy, Air Force, and Marine Corps personnel at headquarters or command levels were not consistently aware of available DLA Disposition Services training on reusing excess property or did not require their personnel to take the training. Personnel from one Army command stated that they provided training in coordination with DLA Disposition Services. Personnel from one Navy command stated that they periodically scheduled training to assist personnel with reuse policies and requirements. Air Force headquarters and command personnel were unclear about the DLA Disposition Services training site and requested links to the training. Finally, Marine Corps headquarters personnel stated that Marine Corps policy did not mandate reuse training.

Although DoD guidance required excess property reuse training, most Military Service activity personnel we interviewed were unaware of the DLA Disposition Services training. Specifically, personnel from 4 of the 16 Military Service

activities we met with stated that they had received reuse training, and only 3 of those 4 activities definitively stated that there were Service-specific training requirements.

- Two Army activities stated that they did not receive training on reusing excess property from DLA Disposition Services. Ordering personnel from one of these two activities stated that there were no formal reuse training requirements, and that ordering personnel obtained awareness of reuse processes through knowledge sharing rather than formal procedures.
- Two Navy activities stated that they did not receive training on reusing excess property from DLA Disposition Services. Personnel from one additional Navy activity stated that ordering personnel relied on DLA Disposition Services for training on reusing excess property.
- All four Air Force activities stated that they did not receive training on reusing excess property from DLA Disposition Services.
- Two Marine Corps activities stated that they did not receive training on reusing excess property from DLA Disposition Services. Personnel from one additional Marine Corps Service activity stated that quarterly training covered reusing property from DLA Disposition Services.

The Military Services should establish a process to ensure that activity ordering personnel comply with DoD and Service-specific policy for completing reuse training, including ensuring that all staff complete the training, and newly-hired ordering personnel are trained on the reuse of excess property within a few months of starting their duties.

The Military Services Did Not Trust the Condition of DLA Disposition Services Excess Property Available for Reuse

Military Service activity personnel stated that they did not trust the condition code accuracy and serviceability of DLA Disposition Services excess property. Defense Logistics Manual 4000.25, Volume 2, defines condition codes ranging from serviceable, like-new property to unusable scrap property. According to DoD Manual 4160.21, Volume 1, Military Service personnel should identify and assign the proper condition code to property turned in to DLA Disposition Services. The manual also states that DLA Disposition Services personnel should validate property information, including condition codes, with Military Service personnel. Therefore, accurate condition coding is a shared responsibility between the DLA and the Military Services.

Although the DoD Manual establishes accurate condition coding as a shared responsibility, DLA Disposition Services personnel stated that accurate condition coding was a Service responsibility, and Military Service personnel stated

that validating condition codes was a DLA Disposition Services responsibility. In addition, condition coding is an ongoing problem identified in a 2005 Government Accountability Office report.²⁰ The Government Accountability Office report detailed the following:

Military Service officials stated that unreliable data (condition codes) are a disincentive to reuse because of the negative impact on their operations. In addition, DLA item managers stated that because military units have lost confidence in the reliability of data (condition codes) of excess property, the military units have requested purchases of new items instead of reusing excess items.

During our audit, we found that this loss of confidence remained a perception that continued to inhibit the reuse of excess property.

Ongoing Perception and Trust Issues Undermined the Reuse of Available Excess Property

Military Service personnel cited concerns that the condition of the property identified in DLA Disposition Services records is often unreliable, and these concerns contributed to purchasing new items rather than reusing available excess property from DLA Disposition Services. However, Military Service personnel provided us with just one example of receiving an item from excess property that was not in serviceable, like-new condition. Nonetheless, there is a general perception from ordering personnel that condition codes are inaccurate for DLA Disposition Services property, which creates an overall lack of trust and undermines reuse of the property. Of the 16 Military Service activities we sampled, ordering personnel from 12 activities expressed concerns over the condition of the property at DLA Disposition Services, including the following perceptions.

- One Army activity stated that inaccurate condition codes impact depot repair operations, because if the depot cannot use the item from DLA Disposition Services excess property, officials have to order a new item and wait for delivery. Personnel from another Army activity stated that unless DLA Disposition Services personnel verified the accuracy of the property's condition code, the depot would be unwilling to reuse that property in repair operations.
- Two Navy activities expressed concerns related to the condition of property received for issues related to shelf life or missing parts. Personnel from another Navy activity stated that photos of property available from DLA Disposition Services could benefit the ordering activities that are concerned about the condition of the property.

²⁰ Report No. GAO-05-277, "DoD Excess Property - Management Control Breakdowns Result in Substantial Waste and Inefficiency," May 13, 2005.

- One Air Force activity stated that past issues regarding the condition of property received from DLA Disposition Services impact current reuse decisions. Personnel from two other Air Force activities expressed concerns with the serviceability or shelf life of property reused from DLA Disposition Services.
- Two Marine Corps activities stated that historically, the accuracy of condition codes for material received from DLA Disposition Services has been a problem.

Military Service personnel explained that since DLA Disposition Services does not validate the condition of property before shipment, it is necessary for the ordering or receiving activity to inspect the property before use. However, receiving activity personnel might not have the technical expertise to validate condition codes.

In addition, if the condition of the excess property received through DLA Disposition Services is in unserviceable condition (not as advertised in the DLA Disposition Services system), the Military Service activities expend additional time and effort to re-order new property and return or dispose of the unserviceable property. However, Military Service personnel provided us with just one example of receiving an item from excess property that was not in serviceable, like-new condition.

As stated previously in the report, DLA Disposition Services personnel do not track inaccurate condition codes. Therefore, we do not know the full extent of inaccurate condition codes for excess property. Although Military Service personnel could provide us with only one example of excess property they received that was not in serviceable, like-new condition (Condition Code A), Military Service personnel stated that they do not trust the accuracy of the condition codes for items in excess property. We determined that this perception and lack of trust undermined the reuse of excess property.

The accuracy of condition codes is a shared responsibility. The Military Services should reinforce DoD and Service-specific policy and guidance to assist Military Service activities with proper assignment of condition codes when turning property in to DLA Disposition Services. The Military Services should collaborate with DLA Disposition Services to identify and implement training, educational sessions, or another solution to address the lack of trust in the accuracy of the condition codes for items that the Military Services turn in to DLA Disposition Services. The Military Services should establish an internal control mechanism such as monitoring or periodic assessments to ensure assignment of accurate condition codes on turn-in documentation to DLA Disposition Services.

DLA Disposition Services Role in Condition Code Validation of Excess Property

The DoD Manual establishes accurate condition coding as a shared responsibility; however, DLA Disposition Services personnel stated that accurate condition coding was a Service responsibility. DLA Disposition Services personnel stated that they rely on the Military Services to identify accurate condition codes because the Military Service activity that turns in the property for disposal has the technical expertise for that property. DLA Disposition Services personnel further clarified that they do not have the expertise to validate condition codes for technical items, and that DLA standard operating procedures require DLA personnel to complete supply discrepancy reports for potential condition code inaccuracies of technical items.²¹ DLA Disposition Services personnel explained that they resolve these supply discrepancies in coordination with the Military Service activity that turns in the property for disposal, and will only change the condition code for these technical items if agreed upon by the Military Service activity that turns in the items.

Alternatively, for non-technical items such as furniture, clothing, and office supplies, DLA procedures allow DLA Disposition Services personnel to change the condition code if Military Service personnel assign an inaccurate code. Since DLA procedures do not require supply discrepancy reports for non-technical items, DLA Disposition Services personnel can change the inaccurate condition codes for these non-technical items without notifying the Military Service activity that turns in the property of the change. Therefore, the Military Services are not aware of the inaccurate condition codes for non-technical items that they turn in to DLA Disposition Services, which could lead to continued submissions of inaccurate condition codes. Furthermore, DLA Disposition Services does not track inaccurate condition codes for non-technical items.

To ensure the Military Services are aware of condition code inaccuracies that they created, DLA Disposition Services should develop a process to track inaccurate condition codes for technical and non-technical items submitted by the Military Departments, periodically summarize inaccurate condition codes, and report results to Military Department headquarters and Military Service activities. This process to track and identify inaccurate condition codes will allow the Military Services to identify units that submit inaccurate condition codes and resolve the causes of the inaccurate submissions. In addition, the Military Services should review the DLA Disposition Services report on inaccurate condition codes and take action to identify why the inaccurate condition codes occurred, to mitigate future inaccurate condition code assignments.

²¹ Defense Logistics Agency Standard Operating Procedure 4160.21-016, April 7, 2020. Supply discrepancy reports identify turn-in documentation discrepancies for property, such as inaccurate condition codes.

Military Service and DLA Systems Did Not Communicate

Military Service and DLA systems did not communicate with each other. This lack of interoperability between the systems required ordering personnel to check and place orders for DLA Disposition Services excess property manually, which discouraged the use of this process. System interoperability is an ongoing problem identified in a 2005 Government Accountability Office report.²² The Government Accountability Office report detailed the following related issues.

Inefficient, nonintegrated excess inventory and supply management systems lack controls necessary to prevent waste and inefficiency in the reuse program. In addition, the current process for identifying excess property that is available to fill supply orders is cumbersome, time-consuming, and involves significant human intervention.

We found that similar system interoperability problems still existed. The Military Service activities stated that the lack of interoperability between Military Service and DLA systems was inefficient. Currently, the Military Service systems do not have the automated ability to query DLA Disposition Services excess property inventory when the Military Services place an order for new items with the DLA. The Military Service activities stated that the manual search and ordering processes on the DLA Disposition Services website were time-consuming and inhibited Military Service reuse of DLA Disposition Services excess property. Specifically, Military Service ordering personnel need to gain access to the DLA Disposition Services system, search for the specific items needed, initiate a request to reuse those items through the website, and potentially coordinate with DLA Disposition Services site personnel regarding specific item requirements. Military Service activities explained that performing these manual searches of DLA Disposition Services excess property for every order was time-consuming and unrealistic.

In 2020, the Military Services initiated 1.9 million requests to purchase new items from the DLA and each request could contain multiple national stock numbers (NSNs). Therefore, based on our interviews with Military Service activities and queries we performed in the DLA Disposition Services system, we concluded that ordering personnel need to expend a large number of staff-hours to manually query the DLA Disposition Services website for the NSNs associated with these 1.9 million requests. Military Service ordering personnel will continue to experience difficulties maximizing the reuse of DLA Disposition Services property until Military Service ordering systems can automatically query the DLA Disposition Services website or until the DLA's ordering system and DLA Disposition Services website are able to communicate.

²² Report No. GAO-05-277, "DoD Excess Property - Management Control Breakdowns Result in Substantial Waste and Inefficiency," May 13, 2005.

Currently, there is no mechanism to convert a sales order to a reuse request within the DLA and DLA Disposition Services inventory systems. The two systems are not able to communicate with each other. Therefore, when the DLA receives a sales order, there is no automated process for DLA's inventory system to query DLA Disposition Services' system to identify available excess property. However, according to DLA officials, the DLA Disposition Services system is scheduled for replacement in 2024, and is only eligible for system fixes, not changes for new or increased functionality. The new system should modernize the DLA supply chain and provide better storage, distribution, and transportation processes. DLA officials also stated that the new system will assist personnel in identifying reuse opportunities.

The planned system changes and implementation of our other recommendations should improve awareness and reuse of DLA Disposition Services property. Therefore, the DLA Director, in coordination with DLA Disposition Services, should consider that the requirements for the replacement system include a capability to assist ordering personnel in identifying reuse opportunities to reduce the manual processes currently needed for using excess property in DLA Disposition Services inventory. Because the planned DLA system changes for 2024 will improve identifying reuse opportunities and reduce manual processes, we are not making a recommendation to the Military Services to make changes to their systems.

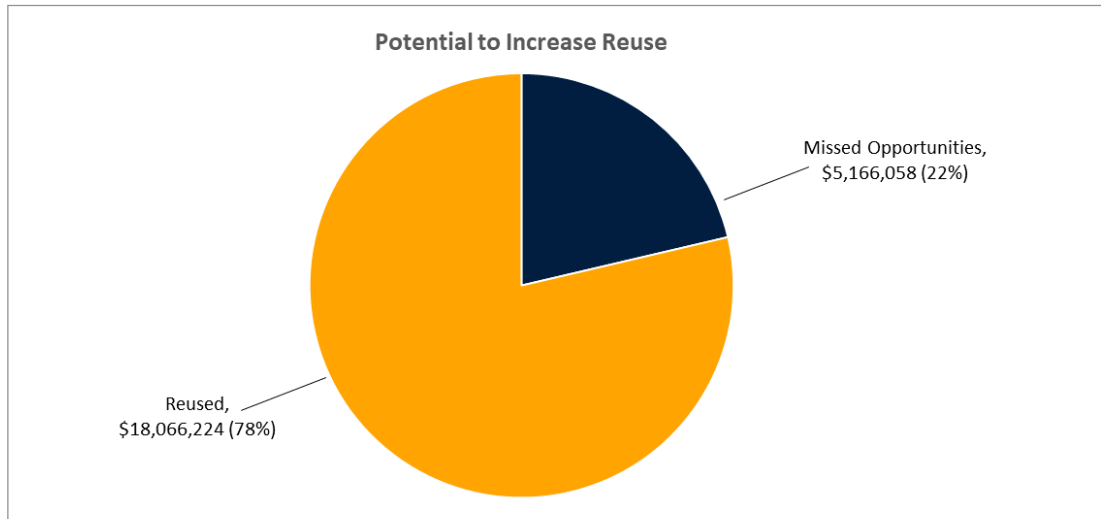
The Military Services Wasted up to \$5.2 Million That Could Have Been Saved Through Reuse

As a result of not reusing available excess property at DLA Disposition Services, the Military Services wasted up to \$5.2 million by purchasing 132,838 new items that they could have obtained at little to no cost. All of these items were recorded as being serviceable, like-new condition and available in DLA Disposition Services excess property inventory at the time that the Services made a new purchase of the same item.

Specifically, 2,804 DoD activities missed 19,944 opportunities to reuse available property. Although reusing excess property is not always required, the Military Services could save money by reusing the serviceable, like-new property from DLA Disposition Services rather than initiating new purchases for identical items. The Military Services can spend the saved money in other critical areas.

Furthermore, by reusing available property, the DoD demonstrates its stewardship of taxpayer money. Figure 7 shows the amount of property that the Military Services reused and could have reused, in 2020.

Figure 7. Dollar Value of Items Reused and the Dollar Value of Items the Military Services Could Have Reused



* The \$5.2 million may be lower based on mission, schedule, or cost exceptions for reusing excess property identified in DoD Manual 4160.21, Volume 3.

Source: DoD OIG analysis of DLA reuse, redistribution, and sales data.

During the audit, DLA Disposition Services personnel reiterated that any promotional activities, training, or reports that the DLA executed would not ensure that the Military Services reuse property from DLA Disposition Services. In addition, the Military Services reinforced that exceptions such as mission or schedule precluded their reuse of property from DLA Disposition Services. While exceptions to reusing property from DLA Disposition Services do exist, the problem is so pervasive across thousands of Military Service activities that justifications identifying mission or schedule exceptions are inadequate.

To illustrate this problem, although one activity (Activity A) might have a valid exception for not reusing, we identified that multiple activities (Activities B through D) could have reused those same items during the same timeframes. Specifically, even if the 2,804 activities had a valid exception for not reusing the available excess property, there were still 294,916 separate and unique opportunities to reuse the same items across 6,148 activities. Finally, several of the problems we identified in this audit such as condition codes and system interoperability are recurring issues that undermined the reuse of excess property from DLA Disposition Services.

Management Comments on the Finding and Our Response

Army G-4 Comments

The Acting Deputy Chief of Staff, Army G-4, agreed with the need to maximize the reuse of DLA-managed serviceable, like-new property at DLA Disposition Services as well as provided comments on the potential monetary benefits (See Appendix B for details on potential monetary benefits). The Acting Deputy Chief of Staff included the following comments.

- The Army maximizes the retention and reuse of DLA-managed serviceable property through automation and centralization while factoring for both readiness and economics. The Acting Deputy Chief of Staff also stated that any excess property is offered to the DLA to offset new purchases before sending the property to DLA Disposition Services.
- Decentralized Army ordering activities cannot search DLA Disposition Services excess property inventory manually before submitting purchase requests while also accounting for variables associated with reuse such as distribution cost and time.
- The recommendation for the DLA to delay filling demands in order to notify the Military Services when property is available that matches demands is not viable because it still requires a manual process and potentially unnecessary delays. The Acting Deputy Chief of Staff further stated that any solution to improve reuse would require an automated rather than manual process. He also stated that condition code issues would require a supply discrepancy reporting process. Based on these comments, the Acting Deputy Chief of Staff suggested a new recommendation, that the DLA implement a solution that automates the reuse of DLA-managed items in DLA Disposition Services.

Our Response

We have the following responses to the Acting Deputy Chief of Staff's comments.

Maximizing reuse. We commend the Army for maximizing the retention and reuse of DLA-managed serviceable property before turning in any excess property to DLA Disposition Services. However, we found that there is still additional excess property available from DLA Disposition Services that the Army could have reused. We identified instances where the Army was purchasing new items when those same items were available for little to no cost from DLA Disposition Services excess property inventory.

Accounting for variables associated with reuse. We disagree that Army ordering activities cannot search DLA Disposition Services excess property inventory manually while accounting for associated variables such as distribution cost, and time. In 2020, the Army manually searched for, identified, and reused like-new excess property valued at \$8.2 million from DLA Disposition Services. We understand that reuse is not appropriate in all situations, and DoD Manual 4160.21, Volume 3, permits exceptions to reuse for mission, schedule, or when cost exceeds property purchase value. Although the process may be time-consuming for some units, the DoD Manual states that DoD Components should reuse DoD excess property to the maximum extent feasible. In addition, recommendation 1.c to the DLA addresses this issue, by recommending that the DLA address the lack of automation in the process by identifying and communicating the availability of excess property for reuse before orders are processed.

Automating reuse of DLA Disposition Services excess property. We acknowledge that an automated process would improve reuse more than current manual processes; however, for the DLA to achieve full reuse automation with Military Service systems, preliminary steps must first occur within DLA systems. Currently, the DLA uses two different systems to fill Military Service sales orders and to reuse DLA Disposition Services property. These two DLA systems do not communicate with each other. Therefore, when the DLA receives a Military Service sales order, there is no automated process for DLA's distribution system to query DLA Disposition Services' excess property inventory before filling the sales order.

Our report addresses this lack of interoperability between the DLA systems by recommending that the DLA include a capability to query DLA Disposition Services' inventory before filling Military Service sales orders, and distributing this information to Military Service activities for action. According to DLA officials, the DLA Disposition Services' system is scheduled for replacement in 2024, and should modernize the DLA supply chain.

Once this occurs, the Military Services and the DLA can take additional steps to achieve full automation while still considering mission, schedule, and distribution cost exceptions. As identified within the report, not all Military Service activities should reuse property from DLA Disposition Services for critical safety items that could affect life, health, or safety, or when the Military Services encounter urgent requirements. Our report addresses this concern by requesting the DLA identify and communicate reuse opportunities to the Military Services for evaluation and action.

Recommendations, Management Comments, and Our Response

Recommendation 1

We recommend that the Director of the Defense Logistics Agency, in coordination with Defense Logistics Agency Disposition Services:

- a. Promote excess property reuse by establishing and offering periodic educational sessions with Military Department headquarters and Military Service activities.**

Defense Logistics Agency Comments

The DLA Logistics Operations Deputy Director, responding for the DLA Director, agreed that the DoD should maximize the reuse of excess material to the maximum extent practicable, but disagreed with the recommendation. The Deputy Director stated that DLA Disposition Services already has direct engagement, marketing, and education regarding disposal and reuse of DoD excess property through multiple avenues including Service schools, disposal service representatives, and a customer assistance portal.

According to the Deputy Director, DLA Disposition Services provides educational briefings and training at multiple Service schools to market DLA Disposition Services. Disposal service representatives are personnel located at all DLA Disposition Services field activities and are available to the Military Services to educate and assist Service members with turn-in of excess property, reuse of excess property, and other disposal elements. In addition, the Deputy Director stated that DLA Disposition Services has established a customer web portal that provides walkthrough guides and tutorials for searching for and turning in DoD excess property. DLA Disposition Services also developed a Quick Response code (commonly referred to as a QR code) that is added to customer briefings, e-mails, and business cards that connects customers to the web portal.

Our Response

Comments from the Deputy Director did not address the recommendation; therefore, the recommendation is unresolved. We recognize that DLA Disposition Services provides educational sessions through Service school training, disposal service representatives, and its website. Policy requires that DLA Disposition Services promote maximum reuse of excess property by pursuing all possible avenues to sponsor or endorse reuse. We agree that DLA Disposition Services had adequate resources established and available; however, we do not agree that DLA Disposition Services performed the necessary independent outreach required to pursue all possible avenues to endorse reuse of excess property.

The resources identified by DLA Disposition Services (Service schools, disposal service representatives, and the customer assistance portal) are all contingent on Military Service activities coordinating with DLA Disposition Services and not initiated or independently promoted by DLA Disposition Services. In addition, none of the resources identified by the Deputy Director are marketed on a routine, recurring basis for Military Service activity participation and knowledge sharing by DLA Disposition Services. Establishing routine, recurring educational sessions independent of the Military Service activities and marketing those sessions to Military Service activity ordering personnel is a potential avenue DLA Disposition Services should institute to increase situational awareness, educate ordering activity personnel, and increase overall reuse of excess property. We request that the Deputy Director reconsider the response to the recommendation and provide comments on the final report that address the specifics in the recommendation for promoting excess property reuse.

- b. Develop a process to track inaccurate condition codes for technical and non-technical items. Periodically summarize inaccurate condition codes and report the results to Military Department headquarters and Military Service activities.**

Defense Logistics Agency Comments

The DLA Logistics Operations Deputy Director, responding for the DLA Director, agreed that the DoD should reuse excess property to the maximum extent practicable, but disagreed with the recommendation. The Deputy Director stated that, according to DoD Manual 4160.21, the DLA has discretionary authority to make condition code changes if there is an appearance of obvious error. The Deputy Director also stated that this recommendation would introduce a subjective, non-auditable, manual process putting DLA at high risk from an audit perspective. Furthermore, the Deputy Director stated that capturing and collecting changes to the disposal turn-in documents would require manual record keeping processes to track

and aggregate the information. The Deputy Director stated that personnel do not record supply condition code changes electronically in the inventory system of record (Distribution Standard System) and there is no automated way to track or report this information. Because of the subjective, non-auditable, and manual process required to implement the recommendation, the Deputy Director requested that the recommendation be closed.

Our Response

Comments from the Deputy Director did not address the recommendation; therefore, the recommendation is unresolved. We acknowledge that the implementation of this recommendation would involve a manual process; however, there is no process for DLA Disposition Services to notify the Military Services of inaccurate condition code submissions for non-technical items. With this information, the Military Services can identify common condition code errors and take action to mitigate future condition code inaccuracies. Furthermore, according to DoD Manual 4160.21, Volume 1, it is a DLA Disposition Services responsibility to validate items. According to the DoD Manual, validation involves verifying the property's description and quantity, and ensuring that the generating activity assigned an appropriate condition code. To resolve the recommendation, the DLA can perform a periodic (weekly, monthly, or quarterly) review, Disposition Services site-specific reviews, or a review of a sample of disposal turn-in documents to identify incorrect condition code submissions, and report those results to the Military Services. Therefore, we request that the Deputy Director reconsider the response to the recommendation and provide comments on the final report that address the specifics in the recommendation for tracking and reporting inaccurate condition codes.

- c. Consider that the requirements for the replacement system include the capability to assist ordering personnel in identifying reuse opportunities to reduce the manual processes currently needed for using excess property in Defense Logistics Agency Disposition Services inventory.**

Defense Logistics Agency Comments

The DLA Logistics Operations Deputy Director, responding for the DLA Director, agreed with the recommendation and stated that the DLA will investigate the possibilities for system changes or enhancements to assist ordering personnel in identifying reuse opportunities.

Our Response

Comments from the Deputy Director addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we obtain documentation verifying the requirements for the replacement system include the capability to assist ordering personnel in identifying reuse opportunities. If the DLA determines it will not include this capability within the replacement system, we will close the recommendation once the DLA provides documentation of its evaluation that supports its determination to not incorporate this functionality to assist ordering personnel in identifying reuse opportunities.

Recommendation 2

We recommend that the Army's Deputy Chief of Staff, G-4 (Logistics); Navy's Deputy Chief of Naval Operations for Fleet Readiness and Logistics; and Chief of the Logistics Readiness Division, Headquarters Air Force (Logistics, Engineering, and Force Protection):

- a. Reinforce and periodically communicate to ordering activities DoD and Service-specific reuse policies promoting maximizing reuse of excess property as a supply source. As part of this communication, the Military Services should provide ordering activities details regarding the newly established Defense Logistics Agency Disposition Services educational sessions, reuse website information, and instructions on how to search and place orders for excess property.**

Army G-4 Comments

The Army G-4 Acting Deputy Chief of Staff agreed with the need to maximize the reuse of DLA excess property held at DLA Disposition Services but disagreed with the recommendation, and did not provide further comment for the recommendation.

Our Response

Comments from the Acting Deputy Chief of Staff did not address the specifics of the recommendation for periodic communication of DoD and Service-specific reuse policies, educational sessions, and excess property search and request instructions; therefore, the recommendation is unresolved. We determined that the Military Service activities did not believe that DLA Disposition Services excess property was a valid source of supply. Therefore, periodic reinforcement of the requirement for maximum reuse of excess property as well as identification of reuse training, providing reuse website information, and providing instructions on how to search and place orders will increase the reuse of excess property. We request that the Acting Deputy Chief of Staff reconsider the response to the

recommendation and provide comments on the final report that address the specifics identified within the recommendation for policy, educational sessions, and excess property search and request instructions.

Navy N4 Comments

The Deputy Chief of Naval Operations for Fleet Readiness and Logistics agreed with the recommendation and stated that the Navy is considering including a section in Navy policy currently under development that will reference the Federal Acquisition Regulations, Part 8, “Required Sources of Supplies and Services.” The Deputy Chief also stated that the Navy will consider including the DLA Disposition Services excess property website and links to available reuse training in the policy.

Our Response

Comments from the Deputy Chief addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once the Navy provides the updated policy containing a reference to required sources of supplies, the DLA Disposition Services excess property website, and links to available reuse training

Air Force A4 Comments

The Logistics, Engineering and Force Protection Assistant Deputy Chief of Staff, responding for the Chief, agreed with the recommendation and stated that the Air Force will develop materiel management training that includes general supply modules for implementation on a web-based training platform and provide completion certificates to users. The Assistant Deputy Chief of Staff stated that each training module will supplement asset reuse requirements found in Air Force policies. The Assistant Deputy Chief of Staff estimated the Air Force would complete implementation of the training in December 2022.

Our Response

Comments from the Assistant Deputy Chief of Staff addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once the Air Force provides documentation confirming implementation of the training modules, training materials, and communication of DLA educational sessions (if implemented by the DLA) to Air Force activities.

- b. Establish a process to ensure that activity ordering personnel comply with DoD and Service-specific policy for completing reuse training, including ensuring that all staff complete the training, and newly-hired ordering personnel are trained on the reuse of excess property within a few months of starting their duties.**

Army G-4 Comments

The Army G-4 Acting Deputy Chief of Staff agreed with the need to maximize the reuse of DLA excess property held at DLA Disposition Services but disagreed with the recommendation, and did not provide further comment for the recommendation.

Our Response

Comments from the Acting Deputy Chief of Staff did not address the specifics of the recommendation to ensure that activity ordering personnel comply with the policy for reuse training; therefore, the recommendation is unresolved. We found that most Military Service activity personnel we interviewed were unaware of DLA Disposition Services reuse training. Therefore, the Army should ensure that all activity ordering personnel complete reuse training which will increase the awareness of the reuse program leading to an increase in the reuse of excess property. We request that the Acting Deputy Chief of Staff reconsider the response to the recommendation and provide comments on the final report that address the specifics identified within the recommendation for compliance with reuse training requirements.

Navy N4 Comments

The Deputy Chief of Naval Operations for Fleet Readiness and Logistics agreed with the recommendation and did not provide further comment for the recommendation.

Our Response

Comments from the Deputy Chief did not address the specifics of the recommendation to ensure that activity ordering personnel comply with the policy for reuse training; therefore, the recommendation is unresolved. We request that the Deputy Chief provide comments on the final report that address the specifics identified within the recommendation for compliance with reuse training requirements.

Air Force A4 Comments

The Logistics, Engineering and Force Protection Assistant Deputy Chief of Staff, responding for the Chief, agreed with the recommendation and stated all personnel will satisfy the initial training requirement by completing the General Supply Indoctrination training course. The Assistant Deputy Chief of Staff estimated the Air Force would complete the training in December 2022. In addition, the Assistant Deputy Chief of Staff stated that personnel will complete DLA Disposition Services educational sessions once implemented.

Our Response

Comments from the Assistant Deputy Chief of Staff addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once the Air Force provides documentation that supports training compliance.

- c. Reinforce DoD and Service-specific policy and guidance to assist Military Service activities on proper assignment of condition codes when turning property in to Defense Logistics Agency Disposition Services.**

Army G-4 Comments

The Army G-4 Acting Deputy Chief of Staff agreed with the need to maximize the reuse of DLA excess property held at DLA-Disposition Services but disagreed with the recommendation, and did not provide further comment for the recommendation.

Our Response

Comments from the Acting Deputy Chief of Staff did not address the specifics of the recommendation for reinforcement of DoD and Service-specific policy to assist Military Service activities on proper assignment of condition codes; therefore, the recommendation is unresolved. We found that Military Service personnel had concerns that the condition of property in DLA Disposition Services records was unreliable, contributing to the purchase of new property rather than reusing available excess property. DoD Manual 4160.21, Volume 1, states that Military Service personnel should assign the proper condition code to property turned in to DLA Disposition Services. Therefore, we believe that reinforcement of DoD and Service-specific policy will increase the proper assignment of condition codes, which will result in more accurate records at DLA Disposition Services. We request that the Acting Deputy Chief of Staff reconsider the response to the recommendation and provide comments on the final report that address the specifics identified within the recommendation for reinforcement of DoD and Service-specific policy addressing the proper assignment of condition codes.

Navy N4 Comments

The Deputy Chief of Naval Operations for Fleet Readiness and Logistics agreed with the recommendation and stated that Navy units will assign the proper condition codes when and where the technological capabilities (examples include test benches and special tools) exist. The Deputy Chief further stated that the technological capabilities are not available to properly assign condition codes for all material at the operational level. The Deputy Chief also stated that the Navy will work with the DLA to correct inaccurate condition codes when identified.

Our Response

Comments from the Deputy Chief did not address the specifics of the recommendation; therefore, the recommendation is unresolved. We acknowledge that technological capabilities are not available to properly assign condition codes for all material at the operational level; however, the comments did not address how the Navy will reinforce DoD and Service-specific policy. Therefore, we request that the Deputy Chief provide comments on the final report that address the specifics identified in the recommendation for reinforcement of DoD and Service-specific policy addressing the proper assignment of condition codes.

Air Force A4 Comments

The Logistics, Engineering and Force Protection Assistant Deputy Chief of Staff, responding for the Chief, agreed with the recommendation and stated that, through Repair Cycle Management training, the Air Force will provide further guidance on the proper procedures for filling out the correct forms when turning in items. The Assistant Deputy Chief of Staff stated that the training will also include a detailed outline of all condition codes. The Assistant Deputy Chief of Staff estimated the Air Force would complete the training in December 2022.

Our Response

Comments from the Assistant Deputy Chief of Staff addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once the Air Force provides training material that contains guidance on proper assignment of condition codes when turning property in to DLA Disposition Services.

- d. Collaborate with Defense Logistics Agency Disposition Services to identify and implement training, educational sessions, or another solution to address the lack of trust in the accuracy of the condition codes for items the Military Services turn in to Defense Logistics Agency Disposition Services.**

Army G-4 Comments

The Army G-4 Acting Deputy Chief of Staff agreed with the need to maximize the reuse of DLA excess property held at DLA Disposition Services but disagreed with the recommendation, and did not provide further comment for the recommendation.

Our Response

Comments from the Acting Deputy Chief of Staff did not address the specifics of the recommendation for implementing training, educational sessions, or another solution to address the lack of trust in the accuracy of condition codes; therefore, the recommendation is unresolved. We found that Military Service personnel had concerns that the condition of property in DLA Disposition Services records was unreliable, contributing to the decision to purchase new property rather than reusing available excess property. DoD Manual 4160.21, Volume 1, states that Military Service personnel should assign the proper condition code to property turned in to DLA Disposition Services. Therefore, we believe that the implementation of training will lead to more accurate condition code assignment, which will result in more accurate records at DLA Disposition Services. We request that the Acting Deputy Chief of Staff reconsider the response to the recommendation and provide comments on the final report that address the specifics identified within the recommendation for the implementation of condition code training.

Navy N4 Comments

The Deputy Chief of Naval Operations for Fleet Readiness and Logistics agreed with the recommendation but did not provide further comment for the recommendation.

Our Response

Comments from the Deputy Chief did not address the specifics of the recommendation for implementing training, educational sessions, or another solution to address the lack of trust in the accuracy of condition codes; therefore, the recommendation is unresolved. We request that the Deputy Chief provide comments on the final report that address the specifics identified within the recommendation for the implementation of condition code training.

Air Force A4 Comments

The Logistics, Engineering and Force Protection Assistant Deputy Chief of Staff, responding for the Chief, agreed with the recommendation and stated that the Air Force will require ordering activity personnel to attend the educational sessions

provided by DLA Disposition Services. The Assistant Deputy Chief of Staff stated that the estimated completion date is dependent on DLA Disposition Services' implementation of the educational sessions.

Our Response

Comments from the Assistant Deputy Chief of Staff partially addressed the specifics of the recommendation; therefore, the recommendation is unresolved. We acknowledge that the Air Force will attend DLA Disposition Services educational sessions if DLA Disposition Services develops this training. However, if DLA Disposition Services does not develop new educational sessions, the Air Force should develop its own training in coordination with DLA Disposition Services. We will close the recommendation once the Air Force provides evidence that personnel are required to attend the DLA Disposition Services educational sessions. If DLA Disposition Services does not implement educational sessions for condition coding, we will close the recommendation once the Air Force provides documentation confirming that the Air Force took independent action to implement a solution addressing the lack of trust in condition code accuracy.

- e. Establish an internal control mechanism such as monitoring or periodic assessments to ensure assignment of accurate condition codes on turn-in documentation to Defense Logistics Agency Disposition Services.**

Army G-4 Comments

The Army G-4 Acting Deputy Chief of Staff agreed with the need to maximize the reuse of DLA excess property held at DLA Disposition Services but disagreed with the recommendation, and did not provide further comment for the recommendation.

Our Response

Comments from the Acting Deputy Chief of Staff did not address the specifics of the recommendation for establishing a mechanism to ensure assignment of accurate condition codes on turn-in documentation; therefore, the recommendation is unresolved. We found that Military Service personnel had concerns that the condition of property in DLA Disposition Services records was unreliable, contributing to the purchase of new property rather than reusing the available excess property. DoD Manual 4160.21, Volume 1, states that Military Service personnel should assign the proper condition code to property turned in to DLA Disposition Services. Therefore, the Army should establish an internal control mechanism to improve the proper assignment of condition codes for property turned in to DLA Disposition Services. We request that the Acting Deputy Chief of Staff reconsider

the response to the recommendation and provide comments on the final report that address the specifics identified within the recommendation for ensuring the accurate assignment of condition codes.

Navy N4 Comments

The Deputy Chief of Naval Operations for Fleet Readiness and Logistics agreed with the recommendation but did not provide further comment for the recommendation.

Our Response

Comments from the Deputy Chief did not address the specifics of the recommendation for establishing a mechanism to ensure assignment of accurate condition codes on turn-in documentation; therefore, the recommendation is unresolved. We request that the Deputy Chief provide comments on the final report that address the specifics identified within the recommendation for ensuring the accurate assignment of condition codes.

Air Force A4 Comments

The Logistics, Engineering and Force Protection Assistant Deputy Chief of Staff, responding for the Chief, agreed with the recommendation and stated that the Air Force will implement policy changes to ensure action is taken when DLA Disposition Services provides the condition code discrepancy report. The Assistant Deputy Chief of Staff stated that the estimated completion date is dependent on DLA Disposition Services' implementation of condition code discrepancy reports.

Our Response

Comments from the Assistant Deputy Chief of Staff did not address all specifics of the recommendation; therefore, the recommendation is unresolved. We acknowledge that the Air Force will implement policy changes that are dependent on DLA Disposition Services' implementation of condition code discrepancy reports. However, the Air Force should implement an internal control mechanism to review condition code submissions that are independent of DLA Disposition Services. The internal control mechanism will allow the Air Force to identify incorrect condition codes before turning in property to DLA Disposition Services. The type of action we would accept to resolve the recommendation would be for the Air Force to agree to develop an internal monitoring and assessment mechanism independent of DLA Disposition Services actions to ensure the proper assignment of condition codes when turning excess property in to DLA Disposition Services. We request

that the Assistant Deputy Chief of Staff provide comments on the final report that address the actions the Assistant Deputy Chief of Staff will take in response to the recommendation.

- f. Review the Defense Logistics Agency Disposition Services report on inaccurate condition codes, take action to identify why the inaccurate condition codes occurred, and mitigate future inaccurate condition code assignments.**

Army G-4 Comments

The Army G-4 Acting Deputy Chief of Staff agreed with the need to maximize the reuse of DLA excess property held at DLA Disposition Services but disagreed with the recommendation, and did not provide further comment for the recommendation.

Our Response

Comments from the Acting Deputy Chief of Staff did not address the specifics of the recommendation for reviewing the DLA Disposition Services report on inaccurate condition codes; therefore, the recommendation is unresolved. We found that Military Service personnel had concerns that the condition of property in DLA Disposition Services records was unreliable, contributing to the decision to purchase new property rather than reusing available excess property. DoD Manual 4160.21, Volume 1, states that Military Service personnel should assign the proper condition code to property turned in to DLA Disposition Services. Therefore, the Army should address inaccurate condition coding identified by DLA Disposition Services to mitigate future inaccurate condition code assignment. We request that the Acting Deputy Chief of Staff reconsider the response to the recommendation and provide comments on the final report that address the specifics identified within the recommendation for addressing future inaccurate condition code assignment.

Navy N4 Comments

The Deputy Chief of Naval Operations for Fleet Readiness and Logistics agreed with the recommendation but did not provide further comment for the recommendation.

Our Response

Comments from the Deputy Chief did not address the specifics of the recommendation for reviewing the DLA Disposition Services report on inaccurate condition codes; therefore, the recommendation is unresolved. We request that the Deputy Chief provide comments on the final report that address the specifics identified within the recommendation for addressing future inaccurate condition code assignment.

Air Force A4 Comments

The Logistics, Engineering and Force Protection Assistant Deputy Chief of Staff, responding for the Chief, agreed with the recommendation and stated that the Air Force will take action to resolve any discrepancies concerning condition code assignments. However, the Assistant Deputy Chief of Staff stated that the Air Force cannot update policy until DLA Disposition Services provides a condition code discrepancy report timeline. The Assistant Deputy Chief of Staff stated that the estimated completion date is dependent on DLA Disposition Services providing a plan of action for distributing the reports.

Our Response

Comments from the Assistant Deputy Chief of Staff addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once the Air Force provides evidence of actions taken in response to DLA Disposition Services condition code discrepancy reports.

Appendix A

Scope and Methodology

We conducted this performance audit from January 2021 through January 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Universe and Scope

To accomplish the audit objective, we needed to identify DLA-managed property that the Military Services purchased instead of reusing from DLA Disposition Services in 2020. We requested this data from DLA Disposition Services and the DLA Analytics Center of Excellence. In addition, to provide context and scope for the potential missed reuse opportunities, we wanted to identify the property actually reused from DLA Disposition Services that was in serviceable, like-new condition. Therefore, to accomplish the audit objective, we requested the following three sets of data for analysis, each with their own universe and unique characteristics that we used to conduct analyses.

- ***Property Reused From DLA Disposition Services.*** To identify DoD Component reuse (requisitions) of DLA Disposition Services property, we requested the full universe of reuse data from January 1, 2020, through December 31, 2020. In 2020, DoD Components reused 753,829 items valued at \$1.2 billion, which is the reuse audit universe.
- ***Property Redistributed and Not Reused From DLA Disposition Services.*** To identify property that DoD Components did not reuse from DLA Disposition Services, we requested the full universe of redistribution data (including disposals) from January 1, 2020, through December 31, 2020. In 2020, DLA Disposition Services redistributed or disposed of 4.5 million items valued at \$709.9 million, which is the redistribution audit universe.
- ***DLA Sales of Property Not Reused From DLA Disposition Services.*** To identify new purchases (DLA sales) of items not reused, we requested the full universe of DLA sales data for the DLA-managed NSNs not reused by the Military Services from November 1, 2019, through January 31, 2021. During this period, DoD Components purchased 22.8 million items valued at \$1.1 billion, which is the DLA sales audit universe.

Once we obtained the three required data sets, we were able to conduct additional analysis to identify the excess property that the Military Services reused, and the excess property not reused but purchased instead. To identify property purchased instead of reused, we compared the DLA sales data to items that the Military Services did not reuse to determine whether the Military Services initiated new purchases for items available from excess property inventory at DLA Disposition Services. The three sections that follow provide additional detail related to the specific analysis performed related to each data set.

Property Reused From DLA Disposition Services

To identify DoD Component reuse of DLA Disposition Services excess property, we requested the full universe of reuse data from January 1, 2020, through December 31, 2020. In 2020, DoD Components reused 753,829 items valued at \$1.2 billion, which is the reuse audit universe. This universe of DLA Disposition Services reuse data contained property managed by any agency authorized to dispose of property through DLA Disposition Services and in all condition codes such as serviceable, like-new, repairable, or unserviceable.

To analyze this reuse data, we first identified the property in serviceable, like-new condition since the universe included all condition codes. From this analysis, we determined that in 2020, DoD Components reused 350,135 items of serviceable, like-new property with a total value of \$88.9 million. Next, we determined what property within the data the Military Services reused 243,810 items valued at \$81.1 million. We focused on the Military Services and removed reuse by DoD Components because that amount was minimal compared to that of the Military Services.²³ Finally, we determined what property was DLA-managed by researching the properties' source of supply in the Federal Logistics Information System. From this analysis we identified that in 2020, the Military Services reused 166,421 DLA-managed items with a total value of \$18.1 million. The next step to answer our objective was to identify excess property not reused (redistributed or disposed of) by the Military Services.

Property Not Reused From DLA Disposition Services

To identify property not reused (redistributed or disposed of), we requested the full universe of redistribution data from January 1, 2020, through December 31, 2020. In 2020, DLA Disposition Services redistributed or disposed of 4.5 million items valued at \$709.9 million, which is the redistribution audit universe. For the purposes of the audit, we limited our review based on the following criteria.

²³ We did not include DLA within the DoD Component analysis because we previously audited their reuse process in "DODIG-2019-121."

- **DLA-Managed Property.** We reviewed DLA-managed property as it allowed us to request data from one source, versus coordinating with multiple Military Service purchasing activities.
- **Serviceable, Like-New Condition (Condition Code A) Property.** We reviewed property in serviceable, like-new condition because those items are in the same condition as a new item.
- **Property Not Reused During the 42-day Reuse Screening Cycle.** We reviewed property not reused by the Military Services during the 42-day reuse screening cycle because DLA Disposition Services later sold, donated, or destroyed those items.

In total, DoD Components did not reuse 2.1 million items (29,091 NSNs) valued at \$142.6 million. The next step in our analysis was to determine whether the Military Services purchased new property when that same property was available for reuse in DLA Disposition Services excess property inventory. Therefore, we needed to review DLA's sales data of Military Service purchases for new DLA-managed property, and specifically requested DLA sales data for these 29,091 unique DLA-managed NSNs.

DLA Sales of Property Not Reused from DLA Disposition Services

We requested DLA sales data for the 29,091 unique DLA-managed NSNs not reused by DoD Components from November 1, 2019, through January 31, 2021. We chose this timeframe to account for transactions that occurred before and after 2020 but within the 42-day screening period. During this period, for the 29,091 unique DLA-managed NSNs, DoD Components purchased 12,014 of these NSNs accounting for 2.3 million transactions valued at \$1.1 billion, which is the DLA sales audit universe. Further, the DLA sales data identified that the Military Services purchased 12,002 of the 29,091 NSNs from the DLA through 1.93 million transactions valued at \$841.1 million.

We compared the DLA sales data to items that the Military Services did not reuse to determine whether the Military Services initiated new purchases for items available from excess property inventory at DLA Disposition Services at the time of purchase. We removed DoD Components other than the Military Services from our analysis because the amount of those missed opportunities was minimal compared to that of the Military Services. From this analysis, we coordinated with 16 Military Service activities, 4 activities from each Military Service that represented top reusers of DLA Disposition Services property, and activities that missed the most opportunities to reuse DLA Disposition Services property.

Site Visits and Interviews

We conducted interviews with the Office of the Deputy Assistant Secretary of Defense for Logistics to discuss DoD policy and guidance for the reuse of excess DoD property. We coordinated with and interviewed DLA personnel including Disposition Services personnel in Battle Creek, Michigan, to obtain data and identify processes and procedures related to the reuse of excess DoD property. In addition, we conducted interviews with personnel from the Army, Navy, Air Force, and Marine Corps at the headquarters, command, and activity level. We interviewed Military Service personnel at 16 ordering activities. See Table 7 for the list of the 16 ordering activities we interviewed.

Table 7. Military Organizations Interviewed

Military Department	Organization	Location
Army	Tank-Automotive and Armaments Command	Detroit Arsenal, Michigan
	Combat Capabilities Development Command, Ground Vehicle Systems	Warren, Michigan
	Anniston Army Depot	Anniston, Alabama
	Letterkenny Army Depot	Chambersburg, Pennsylvania
Navy	Naval Surface Warfare Center, Crane Division	Crane, Indiana
	Southwest Regional Maintenance Center	San Diego, California
	Naval Air Warfare Center	China Lake, California
	Naval Weapon Systems Support	Mechanicsburg, Pennsylvania
Air Force	78th Air Base Wing	Robins Air Force Base, Georgia
	9th Logistics Readiness Squadron	Beale Air Force Base, California
	173rd Logistics Readiness Squadron	Kingsley Field Air National Guard Base, Oregon
	Holm Center	Maxwell Air Force Base, Alabama
Marine Corps	1st Battalion 4th Marines	Camp Pendleton, California
	Marine Depot Maintenance Command	Yermo, California
	Marine Depot Maintenance Command	Albany, Georgia
	1st Support Battalion 1st Marine Logistics Group	Camp Pendleton, California

Source: DoD OIG analysis of DLA sales and redistribution data.

We interviewed Military Service personnel to identify best practices used, challenges, and potential improvements that would encourage the reuse of excess property from DLA Disposition Services.

Policy Reviewed

We reviewed the following DoD, DLA, and Military Service policy and procedures.

- DoD Manual 4160.21 Volume 1, “Defense Materiel Disposition: Disposal Guidance and Procedures,” October 22, 2015, Incorporating Change 3, October 2, 2019
- DoD Manual 4160.21 Volume 3, “Materiel Disposition: Reutilization, Transfer, and Sale of Property,” October 22, 2015, Incorporating Change 3, September 30, 2019
- Army Regulation 710-1, “Centralized Inventory Management of the Army Supply System,” November 28, 2016
- Secretary of the Navy Instruction 5200.44, “Operating Material and Supplies – Accountability and Management,” March 29, 2019
- Air Force Instruction 23-101, “Materiel Management Policy,” October 22, 2020
- Air Force Manual 23-122, “Materiel Management Procedures,” October 27, 2020

We reviewed these policies and procedures to identify DLA and Military Service requirements and processes for the reuse of excess property.

Internal Control Assessment and Compliance

We assessed internal controls and compliance with laws and regulations necessary to satisfy the audit objective. In particular, we assessed internal controls and compliance with laws and regulations including control components and underlying principles related to the processes for reusing excess property at DLA Disposition Services. We assessed the control activities to determine whether DoD Components designed and implemented effective internal controls to reuse excess property from DLA Disposition Services instead of purchasing the same items new from the DLA. We identified internal control weaknesses where DoD Components purchased new items that were available in excess property inventory at DLA Disposition Services. However, because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

Use of Computer-Processed Data

We used computer-processed data provided by the DLA. We used DLA records from the Distribution Standard System to determine DLA Disposition Services excess property inventory from January 1, 2020, through December 31, 2020. For these items, we requested and received DLA sales data from November 1, 2019, through January 31, 2021. We tested the reliability of the 6,931 disposal transactions identified in the DLA Disposition Services data by reviewing a sample of 62 disposal turn-in documents from the Reutilization Business Integration Electronic Document System to verify the condition codes and quantities for the items turned in for disposal and found the data to be accurate. In addition, we performed testing by verifying DLA sales data and DLA Disposition Services reuse data for multiple transactions with Military Service activities. We found the data to be sufficiently reliable for the purposes of this audit.

Prior Coverage

Unrestricted Government Accountability Office reports can be accessed at <http://www.gao.gov>. Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/reports.html/>.

From May 2005 through September 2019, the Government Accountability Office (GAO) and the Department of Defense Office of Inspector General (DoD OIG) issued three reports discussing reuse of DoD excess property.

GAO

Report No. GAO-16-44, “Excess Personal Property: DoD Should Further Reassess the Priorities of Its Disposal Process,” January 29, 2016

The priorities outlined in the DoD’s disposal process guidance place special program recipients in the first stage of the reutilization process, giving some non-Federal entities priority for excess property over some Federal civilian agencies that may have similar needs. The Government Accountability Office could not definitively conclude that any specific item provided to state or local law enforcement agencies would have filled the need any Federal agencies met using appropriated funds for new purchases, but the possibility exists. In October 2015, the DoD revised its process so that DoD Components obtain their excess property before special programs. Still, special programs could obtain such property before most Federal civilian agencies and non-Federal entities. Therefore, the risk remains that Federal agencies could spend Federal funds to procure property that they might have been able to obtain through the DoD disposal process. The Government Accountability Office

recommended that the Secretary of Defense direct the DLA Director to further reassess the DoD's disposal process to determine whether additional changes are needed in the priority given to process recipients.

Report No. GAO-05-277, "DoD Excess Property - Management Control Breakdowns Result in Substantial Waste and Inefficiency," May 13, 2005

The DoD does not have management controls in place to assure that excess property is reutilized to the maximum extent possible. A total of \$2.5 billion in excess commodity disposals during FYs 2002 and 2003 were reported to be in new, unused, and excellent condition. The DoD units reused only \$295 million of these items. The remaining \$2.2 billion includes significant waste and inefficiency because new, unused, and excellent condition items were transferred and donated outside of the DoD, sold for pennies on the dollar, or destroyed. The DoD units continued to buy many of these same items.

Root causes for reuse program waste and inefficiency included unreliable excess property inventory data, inadequate oversight and physical inventory control, and outdated, nonintegrated excess property and supply management systems. Improved management of the DoD's excess property could save taxpayers at least hundreds of millions of dollars annually. The Government Accountability Office recommended that DLA Disposition Services develop guidance and training to assist personnel in the proper assignment of condition codes; and require that DLA's system design include edit controls to reject purchases or generate an exception when serviceable, like-new items are available but not selected for reuse. The Government Accountability Office also recommended that the Military Services provide accurate excess property turn-in documentation to DLA Disposition Services including proper assignment of condition codes; and establish appropriate accountability mechanisms including supervision and monitoring for assuring the reliability of turn-in documents.

DoD OIG

Report No. DODIG-2019-121, "Followup Audit of the Defense Logistics Agency's Management of Excess Items in Long-Term Storage," September 6, 2019

For this followup audit, the DoD OIG determined that the DLA had improved Long-Term Storage (LTS) inventory management and implemented all four recommendations from Report No. DODIG-2016-036, "Management of Items in the Defense Logistics Agency's Long-Term Storage Needs Improvement." The DLA implemented three recommendations related to policy, excess property, and the exclusion of specific categories of excess property from automated reuse. Specifically, the DoD OIG found that the DLA clarified excess property

retention requirements, established excess property disposal procedures, disposed of excess property that exceeded historical demand levels; and reused specific categories of excess property previously excluded for reuse by the automated recoupment process. As a result of the DLA's corrective actions in response to these three recommendations, from November 2014 to January 7, 2019, DLA LTS excess property inventory decreased by 2.72 million items, valued at \$1.4 billion. Additionally, from November 2018 through February 2019, the DLA automatically reused 5,240 items, valued at \$699,571, that the DLA previously excluded from reuse. Therefore, the DoD OIG determined that the implemented actions were effective, and these three recommendations are closed.

At the beginning of this audit, the DLA had not implemented the fourth recommendation, which related to the DLA's automated recoupment process not reusing all eligible LTS excess property inventory. The DoD OIG determined that the corrective actions the DLA had in place for the reuse of excluded categories of excess property was not effective for this recommendation. As a result, the DLA unnecessarily purchased at least 361 items, valued at \$342,282, already in LTS excess property inventory. Furthermore, the DoD OIG identified and informed DLA personnel about 7,201 items that were listed as not in stock, although the items were available for reuse in LTS excess property inventory. After the DoD OIG informed the DLA about the items that were listed as not in stock, DLA Disposition Services personnel took action to correct the stock levels reported for 13,377 related records, valued at \$93.8 million. As a result of the stock level correction, DLA Disposition Services processed 802 reuse transactions, valued at \$1.4 million. As a result of the actions the DLA took during this audit, we now consider this fourth recommendation closed.

Appendix B

Potential Monetary Benefits

Table 8 identifies the total amount the Military Services spent on items that they could have reused from DLA Disposition Services at little to no cost. The Military Services wasted up to \$5.2 million for new items purchased through the DLA, when those same items were available in serviceable, like-new condition at DLA Disposition Services.

Table 8. Potential Monetary Benefit

Recommendations	Type of Benefit	Amount of Benefit	Military Service
All	Questioned costs	\$5,166,058*	Army, Navy, Air Force, and Marine Corps will be impacted

* The \$5.2 million may be lower based on mission, schedule, or cost exceptions for reusing excess property identified in DoD Manual 4160.21, Volume 3.

Source: The DoD OIG.

Management Comments on the Potential Monetary Benefits and Our Response

Army G-4 Comments

The Acting Deputy Chief of Staff, Army G-4, disagreed with the potential monetary benefits calculation and stated that the analysis did not take into account the location of the demand versus the location of supply, distribution costs, or readiness impacts.

Our Response

Comments from the Acting Deputy Chief of Staff addressed the potential monetary benefits. The audit team acknowledges that the analysis did not take into account the location of the demand versus the location of the supply, distribution costs, or readiness impacts; however, we identified throughout the report that the \$5.2 million in missed reuse opportunities may be lower based on mission, schedule, or cost exceptions for reusing excess property. While exceptions to reusing property from DLA Disposition Services do exist, our analysis identified that the Army had an additional 250,398 opportunities across 4,640 activities to reuse excess property but did not.

Management Comments Required

The Navy's Deputy Chief of Naval Operations for Fleet Readiness and Logistics and the Air Force's Assistant Deputy Chief of Staff for Logistics, Engineering and Force Protection did not respond to the potential monetary benefits. We request that the Deputy Chief and the Assistant Deputy Chief of Staff provide comments on the final report.

Management Comments

Defense Logistics Agency



DEFENSE LOGISTICS AGENCY
HEADQUARTERS
8725 JOHN J. KINGMAN ROAD
FORT BELVOIR, VIRGINIA 22060-6221

March 17, 2022

MEMORANDUM FOR THE OFFICE OF THE DEPARTMENT OF DEFENSE INSPECTOR
GENERAL, ASSISTANT INSPECTOR GENERAL FOR AUDIT
ACQUISITION, CONTRACTING, AND SUSTAINMENT

SUBJECT: Audit of DoD Reuse of Excess Defense Logistics Agency Property (Project D2021-
D000RK-0069.000)

This is the Defense Logistics Agency (DLA) response to the subject draft audit report. DLA recognizes the efforts of the DoD OIG team in their willingness to meet with DLA and discuss the operation and structure of the DoD Excess property program during this audit. DLA appreciates DoD OIG's consideration of suggestions for amending the report to improve the value and applicability of the recommendations, and the opportunity to provide additional feedback and context to the report with this response.

DLA agrees with the overarching principle that DoD should maximize the reuse of excess material to maximum extent practicable, however, DLA disagrees with two of the three recommendations presented in this report. Specific comments addressing each individual recommendation, with further explanations are offered on the following pages.

My point of contact is [REDACTED], Deputy Inspector General for External Audit Liaison, who can be reached at [REDACTED] or [REDACTED].

FRENCH.KRISTIN.K [REDACTED]
NAPP [REDACTED]

KRISTIN K. FRENCH, SES
Deputy Director
Logistics Operations

Defense Logistics Agency (cont'd)

SUBJECT: DLA Response to Draft Report for Audit of DoD Reuse of Excess Defense Logistics Agency Property (Project D2021-D000RK-0069.000)

Recommendation 1.a.: Promote excess property reuse by establishing and offering periodic educational sessions with Military Department headquarters and Military Service activities.

DLA Comments: Disagree. DLA Disposition Services already has extensive direct engagement, marketing, and education with all branches of service regarding disposal and reuse of DoD excess property through multiple avenues. Currently, DLA provides educational training and outreach through three primary methods:

1. Service Schools: Disposition Services participates and provides educational briefings at multiple Army, Navy, Air Force, Marine Corps, and Coast Guard service schools to market the Disposition Services' mission. Additionally, the service members receive education and training on all Disposition Service's processes to include the reutilization program. The education and training provided to the Service's related to the reutilization program explains:

- a. How to search for Excess Property: Service members can search for specific property in Disposition Services inventory by using a national stock number, commodity, or common name.
- b. How to create Want lists: Service members can create "want lists" for property that may not be currently available but may be available in the future. These want lists will notify the Services when DLA receives and item meeting the established criteria.
- c. Disposal Service Representatives (DSRs): Service members are briefed on the functionality of DSRs which are available for additional training and education at the local levels when service members return to their duty station.

2. Disposition Service Representatives (DSRs): DSRs are dedicated personnel located at all Disposition Service field activities and are available to all branches of service to educate and assist military members with turn-in of excess, reutilization or reuse of excess, and other elements of disposal. DSRs perform customer outreach for their specific geographic area(s) of responsibility providing education and training related to all aspects of the Disposition Services' mission. Additionally, Disposition Services local leadership participates in host activity meetings to market Disposition Services presence, mission, and availability to all service members.

3. Digital DSR – Customer Assistance Portal: DLA Disposition Services established a customer web portal, titled the Digital DSR (www.dla.mil/DDSR), to provide a one stop location for all things DLA Disposition Services. This web portal provides walkthrough guides and tutorials for searching for DoD excess, how to turn-in excess, and how to schedule a turn-in. Additionally, to further promote the services of Disposition Services, a QR Code was developed for the Digital DSR website, this has been distributed to all employees to share with the Military Customers they interact with on a daily basis. The QR code has been added to agency customer briefings, emails, and business cards to increase the opportunities for service members, at all levels, to have easy access to information regarding Disposition Services mission.

Defense Logistics Agency (cont'd)

These ongoing outreach efforts meet both the requirements of DoD Manual 4160.21, Volume 1, and the intent of this recommendation and additional educational sessions or outreach are not necessary. DLA requests closure of the recommendation.

Recommendation 1.b.: Develop a process to track condition code inaccuracies for technical and non-technical items. Periodically summarize inaccurate condition codes and report the inaccuracies to Military Department headquarters and Military Service activities.

DLA Comments: Disagree. Although DLA has discretionary authority, per the DoDM 4160.21, to make changes to Supply Condition Codes (SCC) if there is an appearance of obvious error, DLA does not have the requisite technical expertise in the property being turned in as excess, therefore DLA ultimately relies heavily on the proper identification and accurate assignment of SCC by the Military Services prior to turn-in to DLA. If DLA makes a SCC change to a non-technical excess item, done on a case-by-case basis by DLA Disposition Services field site personnel, a manual adjustment would be made on the DD1348-1A Disposal Turn-In Document (DTID) form. Changes to SCCs are not recorded electronically in the inventory system of record (DSS) and there is no automated way to track or report this information.

This recommendation would introduce a subjective, non-auditable, manual process putting DLA at high risk from an audit perspective. To capture and collect these manual changes to the DTID would require manual record keeping processes to track and aggregate the information. Sorting or singling out these documents in order to manually annotate a log or spreadsheet to track the change is an interruption in the workflow and presents a high risk that evidential matter would become lost. DLA requests closure of the recommendation.

Recommendation 1.c.: Consider that the requirements for the replacement system include a capability to assist ordering personnel in identifying opportunities to reuse excess.

DLA Comments: Agree. DLA will investigate the possibilities for system changes/enhancements to assist ordering personnel in identifying reuse opportunities.

Estimated Completion Date: 120 days.

Department of the Army, Office of the Deputy Chief of Staff, G-4



DEPARTMENT OF THE ARMY
OFFICE OF THE DEPUTY CHIEF OF STAFF, G-4
500 ARMY PENTAGON
WASHINGTON, DC 20310-0500

DALO-SP (700A)

MEMORANDUM FOR Inspector General, U.S. Department of Defense, 4800 Mark Center Drive, Alexandria, Virginia 22350-1500

SUBJECT: Official Army Position, Audit of the Reuse of Defense Logistics Agency Disposition Services Excess Property Project No. D2021-D000RK-0069.000

1. This memorandum establishes an official Army position on the draft report for the subject audit.
2. HQDA G-4 reviewed the draft report and agrees with the need to maximize the reutilization of Defense Logistics Agency (DLA) managed serviceable inventory held at DLA-Disposition Services (DLA-DS) but non-concurs with the recommendations and potential monetary benefits (PMBs).
 - a. The Army maximizes the retention and reutilization of DLA-managed serviceable inventory through automation and centralization (inventory and management) while factoring for both readiness and economics. Any excess inventory is offered to DLA to offset new procurement before sending to DLA-DS by design.
 - b. Decentralized Army ordering activities cannot search DLA-DS manually prior to submitting requisitions while also accounting for variables associated with reutilization execution such as economics and distribution time.
 - c. The analysis in the draft report does not take into account the location of the demand vs. the location of supply, economics, or readiness impacts in development of the recommendations and PMBs.
 - d. The "future" solution for DLA to delay filling demands in order to notify Services when parts are available that match demands is not viable when it just triggers a manual process and potentially unnecessary delays. Any solution to improve reutilization needs to be automated with focus on centralized wholesale level management and execution rather than manual processes that require ordering activity decisions and execution. Supply discrepancy reporting processes can be leveraged to address any valid condition code issues.
3. Recommendation: DLA implement a solution that automates the reutilization of DLA managed items in DLA-DS to offset new procurement and source requisitions consistent with standard sourcing strategies. The Army can support as needed.

Department of the Army, Office of the Deputy Chief of Staff, G-4 (cont'd)

DALO-SP (700A)

SUBJECT: Official Army Position, Audit of the Reuse of Defense Logistics Agency
Disposition Services Excess Property Project No. D2021-D000RK-0069.000

4. The point of contact for this memorandum is [REDACTED] (DALO-SPS), [REDACTED]
[REDACTED], [REDACTED] or [REDACTED].

HALL.JOHN.EME [REDACTED]
RY [REDACTED]
JOHN E. HALL
Acting Deputy Chief of Staff, G-4

Office of the Chief of Naval Operations for Fleet Readiness and Logistics, N4



DEPARTMENT OF THE NAVY
OFFICE OF THE CHIEF OF NAVAL OPERATIONS
2000 NAVY PENTAGON
WASHINGTON DC 20350-2000

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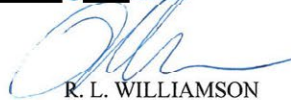
From: Deputy Chief of Naval Operations, Fleet Readiness and Logistics (CNO N4)
To: Office of the Inspector General, Department of Defense

Subj: OPNAV N4 COORDINATED MANAGEMENT RESPONSE TO
RECOMMENDATIONS FROM THE DODIG DRAFT REPORT FOR "AUDIT OF
DOD REUSE OF EXCESS DEFENSE LOGISTICS AGENCY PROPERTY (PROJECT
NO. D2021-D000RK-0069.000)"

Ref: (a) DoDIG Draft Report (Project No. D2021-D000RK-0069.000)

Encl: (1) OPNAV N4 Coordinated Management Response to Recommendations from the
DoDIG Draft Report for "Audit of DOD Reuse of Excess Defense Logistics Agency
Property (Project No. D2021-D000RK-0069.000)"

1. Enclosure (1) is submitted in response to reference (a).
2. OPNAV N4 has no recommended changes to the Security Markings of the Draft Report.
3. Point of contact in this matter is [REDACTED] who can be reached at ([REDACTED])
or via E-mail at [REDACTED]@[REDACTED].navy.mil.


R. L. WILLIAMSON

Copy to:
Naval Audit Service

Office of the Chief of Naval Operations for Fleet Readiness and Logistics, N4 (cont'd)

OPNAV N4 COORDINATED RESPONSE TO DoD OIG DRAFT REPORT, "AUDIT OF
DOD REUSE OF EXCESS DEFENSE LOGISTICS AGENCY PROPERTY"
(Project No. D2021-D000RK-0069.000)

1. Recommendation 2a: Reinforce and periodically communicate to ordering activities DoD- and Service-specific reuse policies promoting maximizing reuse of excess property as a supply source. As part of this communication, the Military Services should provide ordering activities details regarding the newly established Defense Logistics Agency Disposition Services educational sessions, reuse website information, and instructions on how to search and place orders for excess property.

Response: Concur. Navy policy is in development; under consideration for inclusion is a section that will reference FAR 8 Required Sources of Supplies and Services as well as the DLA excess materiel website and links to available training.

2. Recommendation 2b: Establish a process to ensure that activity ordering personnel comply with DoD- and Service-specific policy for completing reuse training, including ensuring that all staff complete the training, and newly-hired ordering personnel are trained on the reuse of excess property within a few months of starting their duties.

Response: Concur.

3. Recommendation 2c: Reinforce DoD and Service-specific policy and guidance to assist Military Service activities on proper assignment of condition codes when turning property in to Defense Logistics Agency Disposition Services.

Response: Concur; however, the technological capability (e.g., test benches, special tools) is not fully developed to properly assign condition codes for all materiel at the operational level. Navy units will assign the proper condition codes where and when the technology is available to validate condition codes and will work with DLA to correct inaccuracies when identified.

4. Recommendation 2d: Collaborate with Defense Logistics Agency Disposition Services to identify and implement training, educational sessions, or another solution to address the lack of trust in the accuracy of the condition codes for items the Military Services turn in to Defense Logistics Agency Disposition Services.

Response: Concur.

5. Recommendation 2e: Establish an internal control mechanism such as monitoring or periodic assessments to ensure assignment of accurate condition codes on turn-in documentation to Defense Logistics Agency Disposition Services.

Response: Concur.

Enclosure (1)

Office of the Chief of Naval Operations for Fleet Readiness and Logistics, N4 (cont'd)

6. Recommendation 2f: Review the Defense Logistics Agency Disposition Services report on inaccurate condition codes, take action to identify why the inaccurate condition codes occurred, and mitigate future inaccurate condition code assignments.

Response: Concur.

Office of the Assistant Secretary, Deputy Chief of Staff of the Air Force for Logistics, Engineering and Force Protection, A4



DEPARTMENT OF THE AIR FORCE WASHINGTON, DC

OFFICE OF THE ASSISTANT SECRETARY

7 March 2022

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

FROM: HQ USAF/A4
1120 Air Force Pentagon Suite 4E154
Washington, DC 20330

SUBJECT: Air Force Response to DoD Office of Inspector General Draft Report, Audit of the Reuse of Defense Logistics Agency Disposition Services Excess Property (Project No. D2021-D000RK-0069.000)

1. This is the Department of the Air Force response to the DoDIG Draft Report, Audit of the Reuse of Defense Logistics Agency Disposition Services Excess Property (Project No. D2021-D000RK-0069.000). AF/A4 concurs with the report as written and welcomes the opportunity to expand current policy and procedures addressing the utilization of excess property from Defense Logistics Agency Disposition Services.
2. AF/A4 in coordination with SAF/AG will correct issues identified in this report, and develop and implement a corrective action plan outlined in the following recommendations:

RECOMMENDATION 2a: The DODIG recommends the Air Force to reinforce and periodically communicate to ordering activities DoD and Service specific reuse policies promoting maximizing reuse of excess property as a supply source. As part of this communication, the Military Services should provide ordering activities details regarding the newly established Defense Logistics Agency Disposition Services educational sessions, reuse website information, and instructions on how to search and place orders for excess property.

AIR FORCE RESPONSE 2a: Air Force position is to concur and reinforce Materiel Management customer based training. Materiel Management is developing general supply concept modules for implementation on AF myLearning, a web-based training platform that offers standardization of training and completion certificates to all users. The modules for Block I, IIA and IIB will consist of General Supply Indoctrination, Bench Stock Management and Repair Cycle Management. Each training component is designed to supplement asset reuse policies found on DAFMAN 23-122 and DAFI 23-101. Training implementation estimated to be completed by Dec 2022.

RECOMMENDATION 2b: Establish a process to ensure that activity ordering personnel comply with DoD- and Service-specific policy for completing reuse training, including ensuring that all staff complete the training, and newly-hired ordering personnel are trained on the reuse of excess property within a few months of starting their duties

AIR FORCE RESPONSE 2b: Air Force position is to concur and comply with this recommendation once Defense Logistics Agency Disposition Services provides a training schedule for implementation. In the meantime, all members will satisfy the initial training requirement by completing General Supply Indoctrination - Block I in myLearning platform. Training implementation estimated to be completed by Dec 2022.

RECOMMENDATION 2c: Reinforce DoD and Service-specific policy and guidance to assist Military Service activities on proper assignment of condition codes when turning property in to Defense Logistics Agency Disposition Services.

Office of the Assistant Secretary, Deputy Chief of Staff of the Air Force for Logistics, Engineering and Force Protection, A4 (cont'd)

AIR FORCE RESPONSE 2c: Air Force position is to concur with reinforcing Repair Cycle Management-Block IIB. This online training will be released along with Block I and it will provide further guidance on the proper procedures for filling out the correct forms when turning in items. The training will also include a detailed outline of all condition codes. Training implementation estimated to be completed by Dec 2022.

RECOMMENDATION 2d: Collaborate with Defense Logistics Agency Disposition Services to identify and implement training, educational sessions, or another solution to address the lack of trust in the accuracy of the condition codes for items the Military Services turn in to Defense Logistics Agency Disposition Services.

AIR FORCE RESPONSE 2d: Air Force position is to concur with this recommendation. Materiel Management will require the ordering activity or equivalent to attend the educational sessions provided by Defense Logistics Agency Disposition Services. Materiel Management will update policy as soon as a training implementation schedule is provided from Defense Logistics Agency Disposition Services. ECD TBD.

RECOMMENDATION 2e: Establish an internal control mechanism such as monitoring or periodic assessments to ensure assignment of accurate condition codes on turn-in documentation to Defense Logistics Agency Disposition Services.

AIR FORCE RESPONSE 2e: Air Force position is to concur with recommendation. Materiel Management will implement policy changes to ensure action is taken when Defense Logistics Agency Disposition Services provides the discrepancy report. Materiel Management policy cannot be updated until DLADS provides the report's timeline. All policy changes will be on hold until Defense Logistics Agency Disposition Services delivers a solid plan of action for distributing the reports. ECD TBD.

RECOMMENDATION 2f: Review the Defense Logistics Agency Disposition Services report on inaccurate condition codes, take action to identify why the inaccurate condition codes occurred, and mitigate future inaccurate condition code assignments.

AIR FORCE RESPONSE 2f: Air Force will comply with Materiel Management policy updates and ensure action is taken to resolve any discrepancies concerning condition code assignments. Materiel Management policy cannot be updated until we receive the Defense Logistics Agency Disposition Services report timeline. All policy changes will be on hold until Defense Logistics Agency Disposition Services provides a solid plan of action for distributing the reports. ECD TBD.

3. The AF/A4 point of contact is [REDACTED], AF/A4LR [REDACTED], [REDACTED], or via email [REDACTED].

FRI.DANIEL.A [REDACTED]

DANIEL A. FRI, SES, DAF
Assistant DCS for Logistics, Engineering and Force Protection

Acronyms and Abbreviations

DLA Defense Logistics Agency

LTS Long-Term Storage

NSN National Stock Number



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U.S. DEPARTMENT OF DEFENSE

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