Audit Report

OFFICE OF THE INSPECTOR GENERAL

DISPOSITION OF TEST ASSETS FROM CANCELED OR COMPLETED PROGRAMS

Report No. 94-093 May 4, 1994

Department of Defense

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Acronyms

CIRS	Contractor Inventory Redistribution System
DAISY	Defense Reutilization and Marketing Service Automated Information System
DLA	Defense Logistics Agency
DRMO	Defense Reutilization and Marketing Office
DRMS	Defense Reutilization and Marketing Service
FAR	Federal Acquisition Regulation
GAO	General Accounting Office
MRTFB	Major Range and Test Facility Base
OSD	Office of the Secretary of Defense
PLCO	Plant Clearance Officer
TCO	Termination Contracting Officer

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884

May 4, 1994

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION AND TECHNOLOGY
ASSISTANT SECRETARY OF THE ARMY (RESEARCH, DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE NAVY (RESEARCH, DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE AIR FORCE (ACQUISITION)
DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Audit Report on the Disposition of Test Assets From Canceled or Completed Programs (Report No. 94-093)

We are providing this final report for your information and use. The report addresses issues relating to the disposition and reutilization of test assets resulting from canceled or completed programs. Comments on a draft of this report were considered in preparing the final report.

Comments on a draft of this report conformed to the requirements of DoD Directive 7650.3 and leave no unresolved issues. We request that the Director, Defense Logistics Agency, inform us when the change to the Federal Acquisition Regulation is approved. Appendix A summarizes potential monetary benefits of the audit.

We appreciate the courtesies extended to our audit staff. If you have questions on this audit, please contact Mr. Raymond A. Spencer, Program Director, at (703) 614-3995 (DSN 224-3995) or Mr. Michael Simpson, Project Manager, at (703) 693-0388 (DSN 223-0388). The audit team members are listed inside the back cover. Appendix C lists the planned distribution of this report.

Robert J. Lieberman

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Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. 94-093
(Project No. 3AB-0036)

May 4, 1994

THE DISPOSITION OF TEST ASSETS FROM CANCELED OR COMPLETED PROGRAMS

EXECUTIVE SUMMARY

Introduction. In FYs 1990 and 1991, the Department of Defense canceled more than 20 major and non-major programs. Also, 81 additional programs had their funding drastically reduced or terminated in the FYs 1992 and 1993 budgets. The Office of the Assistant Secretary of Defense for Economic Security estimated that Defense contractors possess $83.1 billion worth of Government-owned equipment.

The Defense Logistics Agency (DLA) and the Military Departments are responsible for disposing of excess Government property within DoD. The Defense Reutilization and Marketing Service (DRMS) is the DLA primary field organization responsible for the worldwide disposition of property for the Military Departments. The DRMS consists of 209 Defense Reutilization and Marketing Offices (DRMO) located around the world. The DRMOs are responsible for administering the property disposal operations within DRMS.

Objectives. The overall audit objectives were to determine whether test assets for major and non-major programs that have been canceled or completed are being properly disposed of, transferred, and accounted for in accordance with DoD policies and procedures and whether any test assets could be used at the Major Range and Test Facility Bases (MRTFB) and other Government Agencies. We also evaluated the Office of the Secretary of Defense effort to comply with the Defense Management Review's goal of reducing overhead cost through asset reutilization and internal controls that prevent the duplicative procurement or development of test assets. Detailed results of our review are in Part II of this report.

Audit Results. DoD is not obtaining maximum reutilization of assets available through canceled or completed programs. The Federal Acquisition Regulation, Part 49, "Termination of Contracts," does not specify the time frame for submission of inventory schedules once a program has been canceled or completed. Also, the Contractor Inventory Redistribution System (CIRS) used to screen excess Government property is ineffective and test assets are not normally being screened by the MRTFB and other Government Agencies. In addition, Military Department program offices are also storing assets no longer required for long periods in lieu of making them available to other Government Agencies, thus incurring unnecessary costs. The MRTFB and other Government Agencies may also be procuring equipment already available.

Internal Controls. The audit identified material internal control weaknesses as defined by DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987. The Military Departments' and DLA's guidance and oversight for the disposition processes were not adequate to ensure that the screening and subsequent disposition of equipment from canceled and completed programs fully maximized the reutilization capabilities within DoD. Additionally, increased Military Department oversight was

needed to ensure required test equipment and related prerequisites were met before making disposal decisions. Those internal control weaknesses are discussed in Part I of this report.

Potential Benefits. Implementing the recommendations in this report will increase the Military Departments' oversight to ensure excess assets are effectively and efficiently reutilized. In addition, those recommendations will strengthen the policy and procedures for submission of inventory schedules and the dissemination of excess Government property. Further, DoD will save $1.2 million over 4 years with the elimination of the CIRS program. In addition, the National Aeronautics and Space Administration will reduce acquisition costs approximately $24 million with the reutilization of equipment identified during the audit. Appendix A summarizes potential benefits of this audit.

Summary of Recommendations. We recommended that the Under Secretary of Defense for Acquisition and Technology expedite DLA's proposed change to Federal Acquisition Regulation, Part 49, "Termination of Contracts," to require that contractors submit inventory schedules within 120 days of contract cancelation. We recommended that the Service Acquisition Executives establish procedures to review justifications before storing assets from canceled or completed programs for 1 year or more. We recommended that the Director, DLA, change DLA's implementing regulations to state that contractors submit inventory schedules within 120 days of contract cancelation; terminate the CIRS; use the Defense Reutilization and Marketing Service Automated Information System to screen excess Government property being screened by CIRS; and change the Defense Logistics Agency Plant Clearance Handbook to require that the Plant Clearance Officers forward the inventory schedules to the MRTFB and other Government Agencies deemed necessary by the Plant Clearance Officers.

Management Comments. The Director, Defense Procurement, commenting for the Office of the Under Secretary of Defense for Acquisition and Technology, concurred with Recommendation 1 and stated that the change to the Federal Acquisition Regulation proposed by the Defense Logistics Agency will be worked by the Council Director as quickly as possible. The U.S. Army Contracting Support Agency stated that it agreed in principal with our Recommendation 2. The Assistant Secretary of the Navy (Research, Development and Acquisition) stated that the Navy concurred with the intent of Recommendation 2. The Associate Deputy Assistant Secretary (Contracting) for the Air Force concurred with the intent of Recommendation 2. The Defense Logistics Agency concurred with Finding A and concurred or partially concurred with the three recommendations. Part II contains a complete discussion of managements' comments to the report; Part IV contains the complete text of the management comments.

Audit Response. We request that the Director, Defense Logistics Agency, inform us when the change to the Federal Acquisition Regulation is approved.

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This report was prepared by the Acquisition Management Directorate, Office of the Inspector General for Auditing, Department of Defense.

Part I - Introduction

Background

In FYs 1990 and 1991, the Department of Defense canceled more than 20 major and non-major programs. An additional 81 programs had their funding drastically reduced or terminated in the FYs 1992 and 1993 budgets. The Office of the Assistant Secretary of Defense for Economic Security estimated that $83.1 billion worth of Government-owned equipment was in the possession of Defense contractors.

DoD policy is to maximize the reutilization of excess property to prevent concurrent procurement and disposal. The Defense Logistics Agency (DLA) and the Military Departments are responsible for disposing of excess Government property within DoD. The property disposition process is outlined in the Federal Acquisition Regulation (FAR) Part 45.6, "Reporting, Redistribution and Disposal of Contractor Inventory," and Part 49, "Termination of Contracts." The Defense Reutilization and Marketing Service (DRMS) is a primary field activity of DLA, which consists of 209 Defense Reutilization and Marketing Offices (DRMOs). The DRMS is responsible for the disposal of the Military Departments' excess property worldwide. In 1992, DRMS reutilized property with an acquisition value of $1.64 billion, transferred $540.3 million worth of property to other Federal Agencies, and donated $505.6 million worth of property.

While the DRMOs are responsible for disposing of excess property generated from military installations, the Plant Clearance Officers (PLCOs) are responsible for disposing of excess Government property at contractors' facilities. The contractor is responsible for submitting inventory schedules to the Termination Contracting Officer (TCO). The TCO forwards the schedules to the PLCO who verifies inventory and reviews allocability. After the reviews, the PLCO screens the excess property.

The DRMOs are also responsible for administering the property disposal operations within DRMS. The mission of the DRMOs is to promote the reutilization and marketing of excess property. The DRMOs use the Defense Reutilization and Marketing Service Automated Information System (DAISY) to provide worldwide screening for all excess equipment from military installations. The DAISY screens excess equipment through other agencies, including DoD, other Federal Agencies, and state and local governments. Typical property accepted and then screened by the DRMOs includes excess electronics and communications equipment, repair parts, tools, and plant equipment.

Objectives

The overall audit objectives were to determine whether test assets for major and non-major programs that have been canceled or completed are being disposed of properly, have been transferred and accounted for in accordance with DoD policies and procedures, and could be used at any Major Range and Test Facility Base (MRTFB) or other Government Agencies. We also evaluated the Office of the Secretary of Defense (OSD) efforts to comply with the Defense Management Review's goal of reducing overhead cost through asset reutilization and internal controls to prevent the duplicative procurement or development of test assets. In addition, we reviewed the need for the Contractor Inventory Redistribution System (CIRS). Detailed results of our review are in Part II of this report.

Scope and Methodology

We judgementally selected 83 contract actions from a list of 16,167 cases terminated for convenience in DLA's Termination Automated Management System. The reliability of the data in the computer system was not an issue and was not verified by the auditors. We reviewed the disposition of assets for 62 contract actions that were awarded from 1972 through 1992, valued at approximately $1.3 billion. The remaining 21 contract actions could not produce the documents needed for our evaluation because some programs were just terminated or the records were archived.

We reviewed the DLA processes to dispose of excess Government property at contractors' facilities and analyzed information on inventory schedules, plant clearance cases, inventory disposal reports, and contract termination status reports. We also evaluated the quality and completeness of contractor and DLA information. We interviewed DLA personnel including PLCOs, TCOs, Quality Assurance Representatives, industrial specialists, property administrators, DRMO personnel, and DRMS personnel to evaluate the effectiveness of policies and procedures regarding the disposition of the assets from canceled or completed programs. We also interviewed OSD personnel, program managers, MRTFB personnel, general officers, and Defense contractor personnel.

This economy and efficiency audit was made from February 1993 through November 1993 in accordance with the auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD, and accordingly included such tests of internal controls as were considered necessary. The organizations visited and contacted during the audit are listed in Appendix B.

Internal Controls

We reviewed the adequacy of internal controls regarding equipment screening and the disposition process. As part of our evaluation, we assessed statutory and DoD regulatory guidance on the screening process, Military Departments' implementation of procedures and compliance with regulations, and oversight of the screening and disposition process by the OSD and Military Departments.

The audit identified material internal control weaknesses as defined by DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987. Military Department and Defense Logistics Agency guidance and oversight for the screening and subsequent disposition of equipment are inadequate to ensure that assets from canceled and completed programs fully maximized the reutilization capabilities within DoD. Additionally, increased Military Department and Defense Logistics Agency oversight is needed to ensure that excess Government property is effectively and efficiently reutilized.

Implementation of all recommendations for the finding will correct those weaknesses. A copy of the final report will be provided to senior officials responsible for internal controls within the Military Departments and DLA.

Prior Audits and Other Reviews

General Accounting Office (GAO) Report No. GAO/NSIAD-93-195, (OSD Case No. 9426) "Property Disposal: DoD is Handling Large Amounts of Excess Property in Europe," July 30, 1993, concluded that DoD lacks a systematic means of sharing information on excess property at the installation level. GAO recommended that the Secretary of Defense work with the Military Departments to develop and implement a means for providing visibility among the Military Departments for all excess property. The Secretary of Defense concurred with the recommendation and stated that a system will be in place beginning in January 1995.

Office of the Inspector General, DoD, Report No. 92-012, "Administration of Contract Terminations for Convenience," November 13, 1991, showed that failure to perform terminations in a timely manner was contrary to the Federal Acquisition Regulations and delayed the redistribution of an estimated $412 million of materials and property. The report also showed that DLA lacked the specific guidance and procedures that addressed responsibilities for termination cases and that late submission of inventory schedules delayed the redistribution of equipment. The report had 14 recommendations of which DLA has taken action on six of them and the rest of the actions are to be completed by June 1994.

Office of the Inspector General, DoD, Report No. 90-043, "Plant Clearance Action on Government-Owned Property in the Possession of Defense Contractors," March 2, 1990, showed that excess Government-owned property

at contractor locations was not properly screened for reutilization through the Contractor Inventory Reutilization System. Also, some Plant Clearance Officers were not verifying the proceeds from contractor conducted sales and property was being retained at contractor locations for completed and closed contracts. Management concurred or partially concurred with all six recommendations. Management actions taken on all of the recommendations were considered responsive.

Part II - Finding and Recommendations

Reutilization of Assets From Canceled or Completed Programs Not Being Realized

DoD is not obtaining maximum reutilization of assets available through canceled or completed programs. This condition exists because the applicable Federal Acquisition Regulation and implementing policies do not specify the time frames for submission of inventory schedules once a program has been canceled or completed. Also, the Contractor Inventory Redistribution System used to screen excess Government property at contractors' facilities is ineffective. As a result, DoD organizations, such as the Major Range and Test Facility Bases and other Government Agencies, may be procuring new equipment instead of acquiring available excess property and the Military Departments are, in some cases, incurring unnecessary storage costs. Also, the DoD is unnecessarily expending $1.2 million on maintaining the Contractor Inventory Redistribution System when an effective screening system is in place. In addition, the National Aeronautics and Space Administration can reutilize $24 million of excess property.

Background

The DLA and the Military Departments are responsible for disposing of excess Government property within DoD. The objective of this disposition process is to ensure timely and efficient reutilization of assets from canceled or completed programs. Policies and procedures for the disposition and screening of excess property is in the Federal Acquisition Regulation (FAR), Parts 45 and 49. FAR 45.6, "Reporting, Redistribution and Disposal of Contractor Inventory," requires that the contractors prepare inventory schedules for property no longer needed for the contract and submit them to the cognizant contract administration office promptly. It also requires that agencies ensure widespread dissemination of information concerning the availability of excess Government property at contractor facilities. FAR 45.6 does not specify a time frame. Part 49.2 states that the termination settlement proposals be submitted within 1 year of contract termination.

Upon contract termination, the contractor is responsible for preparing and submitting inventory schedules to the TCO. The PLCO is responsible for reviewing the inventory schedules for adequacy and completeness and screening excess Government property. Inventory schedules containing property that meets CIRS screening criteria are sent to the DRMS for input into the CIRS. This criteria includes equipment whose acquisition value is more than $500 and is in reusable condition. Property remaining after the Federal screening process is sold, scrapped, abandoned, donated, or destroyed.

Maximum Reutilization of Assets

The disposition process outlined in the FAR and used by DLA does not provide guidance that assures DoD will achieve maximum reutilization of assets from canceled or completed programs. Our review showed that FAR and implementing policies are vague regarding the submission of inventory schedules. A discussion of these problems follows.

Policy for Submitting Inventory Schedules Is Vague. The FAR 45.6 states "that contractors prepare inventory schedules for property that is no longer needed to perform the contract and submit them to the cognizant contract administration office promptly." This statement is ambiguous because it does not specify a time frame. Contractors were submitting inventory schedules as part of their termination settlement proposal. The FAR 49.2 requires that the termination settlement proposal be submitted within 1 year. In lieu of specific guidance in the FAR 49.2, contractors are using the 1-year time frame as a baseline for submitting inventory schedules.

Inventory schedules were submitted with the completed termination proposal package instead of when the schedules were completed. The inventory schedules for 18 of the 62 programs reviewed were submitted either after the year was up or have still not been submitted. In some cases, contractors were submitting them after the termination settlement proposal was submitted. The intent of the FAR is for inventory schedules to be submitted as soon as possible after contract termination so that contractor inventory can be quickly reutilized. Inventory schedules, in most cases, could be prepared in a matter of days, but the FAR did not require contractors to do so.

Equipment Is Not Being Reutilized in a Timely Manner. The lack of specific time frames for the submission of inventory schedules has led to a limited reutilization of equipment. Twenty-nine percent of the programs reviewed submitted inventory schedules more than 1 year after the program was canceled. For example, the contract for the Air Force's Pylon Program (Contract F33656-81-C-0210 P00480) was terminated in June 1986 and the schedules were not received until July 1990, almost 4 years later.

Contractors were also not submitting accurate and complete schedules, thus further delaying the reutilization of equipment. For example, the Air Force's Re-Entry System Test Set Program (Contract F41608-87-C-0184) was terminated in November 1991 and, as of the completion of this audit, the schedules had yet to be accepted because the contractor filled out the schedules incorrectly. The acquisition value of the termination inventory for this program is approximately $4.4 million. Another example is the Navy's Gas Turbine Program (Contract N00019-80-C-0543) terminated in October 1986. Inventory schedules were submitted without unit and total costs, thereby delaying the entire reutilization process. Timely submission of accurate and complete inventory schedules is crucial to the reutilization of equipment because the reutilization and disposal process cannot begin without them.

This condition was also identified in the Office of the Inspector General, DoD, Report No. 92-012, "Administration of Contract Terminations for Convenience," November 13, 1991. The report showed that the contractors submitted 86 percent of the inventory schedules with the final settlement claim, thus delaying the redistribution and disposal of termination inventory. As a result of the audit, DLA proposed a revision to the FAR requiring that the inventory schedules be submitted within 120 days after termination. The original proposal was rejected by the Defense Acquisition Regulation Council; however, DLA resubmitted its proposal in November 1993. We believe that 120 days is a reasonable amount of time to submit accurate and complete inventory schedules, which will expedite the reutilization of terminated inventory.

Contractor Inventory Redistribution System

The CIRS is ineffective and inefficient for screening excess Government property. In addition, CIRS is not accomplishing the intent of the FAR 45.6, which states that an agency must ensure the widespread dissemination of information concerning the availability of excess Government property at contractor facilities. The DAISY used by the DRMO could be utilized in lieu of CIRS. A discussion of these systems follow.

CIRS Process. Once the PLCO accepts the contractor-prepared inventory schedules, they are sent to DRMS where they are input manually into CIRS. A contractor then prints and mails approximately 1,500 catalogs to various organizations including DRMO, maintenance depots, and ammunition plants. Those catalogs are prepared and mailed weekly and range from 75 to 120 pages. The cost to maintain the CIRS system is approximately $300,000 annually.

Effectiveness of CIRS. The CIRS is an ineffective and inefficient way to screen excess Government equipment for several reasons. Because the CIRS catalogs are not cumulative, a person seeking to reutilize equipment has to keep and review each weekly copy to have a cumulative tally of available equipment. In addition, because of the format and the number of data fields, the CIRS catalog is hard to read. It also lacks an adequate description of the items because the data fields used to describe the items are too small. As a result, most potential users do not review the CIRS catalogs.

Information on the Excess Equipment. FAR 45.6 states that the agencies ensure the widespread dissemination of information concerning the availability of excess Government equipment. However, while the CIRS catalog is sent to more than 1,500 organizations, no policies or procedures require the catalog be sent to every MRTFB. Those ranges are organizations that should be notified of any excess Government equipment. Only 4 of 21 MRTFB were receiving the CIRS catalog. According to the range personnel interviewed, the MRTFB are always looking for excess test or computer equipment because funds to buy new equipment have been reduced in recent years. In cases where the ranges or other Government organizations were

contacted by the PLCOs, they reutilized equipment. For example, during the disposition of "Tacit Rainbow" equipment, the Naval Air Warfare Center at Point Mugu and China Lake, California, requested and received $42 million worth of equipment including a test chamber, launch control, power supply, and console. If the PLCO had not contacted the ranges on her own initiative outside the CIRS screening process, the equipment may have been scraped or sold for practically nothing.

The Air Force had 16 excess launch cradles and associated equipment from the Global Positioning System Program with an acquisition value of $75 million. Twelve of the launch cradles have a gyro, motor, and timer, with an acquisition value of approximately $191,000 per set. The other four were cannibalized by the contractor. According to the PLCO, the launch cradles were only screened through the program office. The 16 cradles were scheduled to be sold back to the original contractor for a total of $25,000. We contacted the Program Manager about this issue. As a result, the Global Positioning System Program Office is currently finalizing plans to release the equipment to National Aeronautics and Space Administration for use on the Moon Mars Initiative Program. This effort will save the Government an estimated $24 million. Another example of reutilization occurred at Patrick Air Force Base, Florida. Several motors were rapidly approaching the end of their shelf life and were scheduled for destruction. However, the PLCO at Patrick Air Force Base contacted the National Aeronautics and Space Administration, which said it could reutilize several solid rocket motors valued at $1.8 million each.

Those examples illustrate that if information was disseminated to more organizations, the reutilization of excess property would increase.

DAISY in Lieu of the CIRS. Currently, the CIRS is used to screen the excess Government equipment located at contractor locations while the DRMOs utilize the DAISY to screen all other excess equipment from military installations worldwide. Like CIRS, the DAISY uses a 42-day screening period that includes DoD, other Federal Agencies, and state and local governments.

DAISY Expansion. We believe the DAISY should be used to screen all excess Government property including the excess Government property currently being screened through CIRS. The current DAISY used by the DRMOs can handle the workload now being screened through the CIRS. Also, DRMS has recently received $5.6 million to upgrade the DAISY to include enlarging computer capacity, upgrading the software, preparing the site, and training.

DAISY Advantages. Using the DAISY has advantages. DAISY can retain a requisition from an organization as long as 1 year. Requisitions for CIRS items are submitted only when items are available. Another advantage of the DAISY is its capability to enter as many as eight lines of description for a piece of equipment. If the equipment listing has a better description, other organizations can better understand the use of the equipment, thus increasing the potential for reutilization. We believe that utilizing DAISY in lieu of CIRS would be more cost-effective than continuing to expend funds on the CIRS.

The biggest advantage to using DAISY is that other Government organizations, by using a computer tie-in, could utilize the DAISY on a real time basis. Currently, approximately 170 organizations, other than the DRMS and the DRMOs, can interrogate the DAISY for equipment that can be reutilized. For example, personnel at the Calibration Laboratory at Point Mugu, California, recently obtained the capability to interrogate the DAISY. Within a 3-week period, they claimed more than $30 million worth of equipment for use by the laboratory and other users at Point Mugu.

Alternative to the CIRS. In 1989, DRMS personnel proposed consolidating disposal efforts, including the CIRS. The proposal suggested that property subject to CIRS screening be turned into the nearest DRMO for reutilization screening and final disposal utilizing the DAISY. The proposal stated since the property could go through the same screening as the CIRS by utilizing the DAISY, the need for the CIRS can be eliminated. The proposal concluded that DoD could realize savings of $2.5 million over a 5-year period as a result of the consolidation and elimination of screening systems within DLA.

DLA disapproved the proposal, stating that a significant percentage of assets reutilized from contractor excess inventory was a result of direct intervention of the PLCO. In addition, PLCOs process substantial quantities of contractor inventory belonging to other Government Agencies that require special processing. Although DLA disapproved the proposal, we believe it has merit and is in line with our recommendation to terminate the CIRS and utilize the DAISY for excess Government equipment at contractor locations.

Assets Being Stored

The program offices are storing equipment from terminated programs for years instead of making it available for reutilization. While the FAR allows the program offices to store equipment, the intent of the FAR was to reutilize the equipment in a timely manner. The storage of this equipment delays the reutilization of the equipment and storage charges are incurred. For example, the Teal Ruby program office has had $92 million worth of test equipment and assets stored at Norton Air Force Base, California, for more than 4 years. Storage charges for the Teal Ruby program were $74,000 before equipment was sent to Norton Air Force Base for storage. Some of this equipment, including computer and test equipment, could become obsolete if not reutilized quickly. Another example is the Queens Match program that cost the Government $120,000 for 3 years of storage. We believe that to ensure the timely reutilization of excess equipment, the Military Departments should justify the storage of such equipment on an annual basis.

Conclusion

An effective and efficient disposition process is essential to achieve maximum reutilization of assets. The current disposition process is not allowing for the maximum reutilization of DoD assets. Accurate and complete inventory schedules are not submitted in a timely manner and the system allows unnecessary storage of this equipment. In addition, funds are spent unnecessarily to develop a duplicate inventory screening system. Our recommendations will make the system more efficient and bring it in line with the intent of the FAR.

Recommendations, Management Comments, and Audit Response

1. We recommend that the Under Secretary of Defense for Acquisition and Technology expedite Defense Logistics Agency's proposed change to Federal Acquisition Regulation, Part 49, "Termination of Contracts," to require that contractors submit inventory schedules within 120 days of contract cancellation.

Office of the Under Secretary of Defense for Acquisition and Technology Comments. The Director, Defense Procurement responding for the Under Secretary of Defense for Acquisition and Technology concurred and stated that the change to the Federal Acquisition Regulation proposed by DLA will be worked by the Council Director as quickly as possible. The complete text is in Part IV.

Audit Response. The Director, Defense Procurement's comments were responsive to our recommendation. We request that the Director, Defense Logistics Agency, inform us when the change to the Federal Acquisition Regulation is approved.

2. We recommend that the Assistant Secretary of the Army (Research, Development and Acquisition), the Assistant Secretary of the Navy (Research, Development and Acquisition), and the Assistant Secretary of the Air Force (Acquisition) establish procedures for reviews of Contracting Officers' justification for storing excess equipment from canceled or completed programs for a period of 1 year or more.

Army Comments. The Department of the Army, Office of the Assistant Secretary, U.S. Army Contracting Support Agency, stated that it agreed in principle with the recommendation. In addition, it will also include a requirement in the Army Federal Acquisition Regulation Supplement that the Contracting Officer approve any storage of contractor inventory for one year or more. The complete text is in Part IV.

Navy Comments. The Assistant Secretary of the Navy (Research, Development and Acquisition) stated that the Navy concurs with the intent of the Navy recommendation. In addition, she has requested that the Systems Commands review a list of FY 1993 storage contracts and report back by May 7, 1994. The complete text is in Part IV.

Air Force Comments. The Associate Deputy Assistant Secretary (Contracting) for the Air Force concurred with our intent of the recommendation. In addition, Air Force Manual 67-1, Volume III, Part One, Chapter 9, Section G, is under revision to address reviews of storage decisions. The complete text is in Part IV.

Audit Response. The Army, Navy, and Air Force comments were responsive to our recommendation.

3. We recommend that the Director, Defense Logistics Agency:

a. Change Defense Logistics Agency implementing regulations after Recommendation 1 is implemented to state that contractors will submit inventory schedules within 120 days of contract cancellation.

DLA Comments. DLA concurred and stated that a change to the FAR, Part 49, has been submitted to the FAR Council; the estimated completion date is October 31, 1994. The complete text is in Part IV.

Audit Response. DLA Comments were responsive to our recommendation.

b. Terminate the Contractor Inventory Redistribution System and modify the Defense Reutilization and Marketing Service Automated Information System to include the screening of excess equipment currently being screened in the Contractor Inventory Redistribution System.

DLA Comments. DLA partially concurred and stated that the need for the hard copy of the Contractor Inventory Redistribution System will be eliminated as of April 1994. In addition, with the development of the Plant Clearance Automated Reutilization Screening System, the plant clearance process will be automated and will allow contractor excess inventory to be screened. The estimated completion date is March 31, 1995.

Audit Response. DLA comments were responsive to our recommendation.

c. Change the Defense Logistics Agency Plant Clearance Handbook to require the Plant Clearance Officers to forward the inventory schedules to the Major Range and Test Facility Bases and other Government Agencies deemed necessary by the Plant Clearance Officers. In addition, the Defense Logistics Agency should evaluate the access list for the Defense Reutilization and Marketing Service Automated Information System to ensure that organizations such as the Major Range and Test Facility Bases and other Government Agencies are included.

DLA Comments. DLA partially concurred and stated it will survey the Major Range and Test Facility Bases to determine their excess property interests and publish information accordingly. The estimated completion date is July 29, 1994.

Audit Response. The DLA comments were responsive to our recommendation.

Part III - Additional Information

Appendix A. Summary of Potential Benefits Resulting From Audit

Recommendation Reference	Description of Benefit	Amount and/or Type of Benefit
1.	Economy and Efficiency and Internal Controls. Will improve submission of inventory schedules for reutilization of excess Government property.	Nonquantifiable. Monetary benefits cannot be quantified until FAR change has been implemented.
2.	Economy and Efficiency and Internal Controls. Will provide Military Department oversight to ensure excess assets are used effectively and economically.	Nonquantifiable. Monetary benefits cannot be quantified because the number of assets being stored is unknown.
3.a.	Economy and Efficiency and Internal Controls. Will improve submission of inventory schedules for reutilization of excess Government property.	Nonquantifiable. Monetary benefits cannot be quantified until FAR change has been implemented.
3.b.	Economy and Efficiency and Internal Controls. Will avoid using funds for an ineffective system.	Funds Put To Better Use. DLA could avoid spending $1.2 million on CIRS for FYs 1995 through 1998.
3.c.	Economy and Efficiency and Internal Controls. Will improve the procedures for disseminating information about the reutilization of assets.	Nonquantifiable. Monetary benefits cannot be quantified until DLA makes changes.*

* NASA avoids an estimated $24 million in replacement costs, as noted on page 11 of our finding.

Appendix B. Organizations Visited or Contacted

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology, Washington, DC
Director, Defense Research and Engineering, Washington, DC
Assistant Secretary of Defense (Economic Security), Washington, DC

Department of the Army

Assistant Secretary of the Army (Research, Development and Acquisition), Washington, DC
U. S. Army Test and Evaluation Command, Aberdeen Proving Ground, MD
U. S. Army Foreign Science and Technology Center, Charlottesville, VA
U. S. Army Combat Systems Test Activity, Aberdeen Proving Ground, MD
U. S. Army Dugway Proving Ground, Dugway, UT
U. S. Army Electronic Proving Ground, Fort Huachuca, AZ
U. S. Army Yuma Proving Ground, Yuma, AZ
U. S. Army White Sands Missile Range, White Sands, NM

Department of the Navy

Assistant Secretary of the Navy (Research, Development, and Acquisition), Washington, DC
Naval Air Systems Command, Washington, DC
Naval Sea Systems Command, Washington, DC
Space and Naval Warfare Systems Command, Washington, DC
Naval Air Warfare Center, China Lake, CA
Naval Air Warfare Center, Patuxent River, MD
Naval Air Warfare Center, Point Mugu, CA
Naval Air Warfare Center, Trenton, NJ
Naval Undersea Warfare Center, Newport, RI

Department of the Air Force

Assistant Secretary of the Air Force for Acquisition, Washington, DC
Air Combat Command, Langley Air Force Base, VA
Air Force Materiel Command, Wright-Patterson Air Force Base, OH
Space and Missile Division, Los Angeles Air Force Base, CA
Headquarters, Space Systems Division, Los Angeles, CA
Aeronautical Systems Center, Wright-Patterson Air Force Base, OH
Air Force Flight Test Center, Edwards Air Force Base, CA

Arnold Engineering Development Center, Arnold Air Force Base, TN
Detachment 10, Space and Missile Systems Center, Norton Air Force Base, CA
Weapons and Tactics Center, Nellis Air Force Base, NV
30th Space Wing/Western Range, Vandenberg Air Force Base, CA
45th Space Wing/Eastern Range, Patrick Air Force Base, FL
Utah Test and Training Range, Hill Air Force Base, UT
46th Test Wing, Eglin Air Force Base, FL
4950th Test Wing, Wright-Patterson Air Force Base, OH
46th Test Group, Holloman Air Force Base, NM
Global Positioning System Program Office, Los Angeles Air Force Base, CA

Other Defense Agencies

Ballistic Missile Defense Organization, Washington, DC
Defense Logistics Agency, Alexandria, VA
Defense Reutilization and Marketing Service, Battle Creek, MI
Defense Reutilization and Marketing Service - East, Columbus, OH
Defense Contract Management District - Mid-Atlantic, Philadelphia, PA
Defense Contract Management District - Northeast, Boston, MA
Defense Contract Management District - South, Marietta, GA
Defense Contract Management District - West, El Segundo, CA
Defense Contract Management Area Office, Boston, MA
Defense Contract Management Area Office, El Segundo, CA
Defense Contract Management Area Office, Marietta, GA
Defense Contract Management Area Office, Orlando, FL
Defense Contract Management Area Office, Philadelphia, PA
Defense Contract Management Area Office, Phoenix, AZ
Defense Contract Management Area Office, San Diego, CA
Defense Contract Management Area Office, San Francisco, CA
Defense Contract Management Area Office, Santa Ana, CA
Defense Contract Management Area Office, St. Louis, MO
Defense Contract Management Area Office, Van Nuys, CA
Defense Plant Representative Office, Boeing, Seattle, WA
Defense Plant Representative Office, Boeing Helicopter, Philadelphia, PA
Defense Plant Representative Office, Lockheed, San Francisco, CA
Defense Plant Representative Office, Martin Marietta, Orlando, FL
Defense Plant Representative Office, McDonnell Douglas, Los Angeles, CA
Defense Plant Representative Office, McDonnell Douglas, Titusville, FL
Defense Plant Representative Office, Rocketdyne, Los Angeles, CA
Defense Plant Representative Office, Rockwell, Anaheim, CA
Defense Plant Representative Office, Thiokol, Brigham City, UT
Defense Reutilization and Marketing Office, Aberdeen Proving Ground, MD
Defense Reutilization and Marketing Office, China Lake, CA
Defense Reutilization and Marketing Office, Columbus, OH
Defense Reutilization and Marketing Office, Edwards Air Force Base, CA
Defense Reutilization and Marketing Office, El Toro, CA
Defense Reutilization and Marketing Office, Fort Belvoir, VA

Defense Reutilization and Marketing Office, Fort Meade, MD
Defense Reutilization and Marketing Office, Patrick Air Force Base, FL
Defense Reutilization and Marketing Office, Patuxent River, MD
Defense Reutilization and Marketing Office, Port Hueneme, CA
Defense Reutilization and Marketing Office, San Diego, CA
Defense Reutilization and Marketing Office, Vandenberg Air Force Base, CA

Non-Defense Organizations

Department of Energy, Albuquerque, NM
National Aeronautics and Space Administration, Washington, DC

Appendix C. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology
Comptroller of the Department of Defense
Office of Public Affairs

Department of the Army

Secretary of the Army
Auditor General, Department of the Army

Department of the Navy

Secretary of the Navy
Assistant Secretary of the Navy (Financial Management)
Auditor General, Naval Audit Service

Department of the Air Force

Secretary of the Air Force
Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Air Force Audit Agency

Other Defense Organizations

Director, Defense Contract Audit Agency
Director, Defense Logistics Agency
Inspector General, Defense Intelligence Agency
Inspector General, National Security Agency
Director, Defense Logistics Studies Information Exchange
Commander, Defense Reutilization and Marketing Service
Commander, Defense Contract Management Command
Commander, Defense Contract Management District - Mid-Atlantic
Commander, Defense Contract Management District - Northeast
Commander, Defense Contract Management District - South
Commander, Defense Contract Management District - West

Non-Defense Organizations

Headquarters, National Aeronautics and Space Administration
  Inspector General, National Aeronautics and Space Administration
Office of Management and Budget
U.S. General Accounting Office, National Security and International Affairs Division, Technical Information Center
Chairman and Ranking Minority Member of Each of the Following Congressional Committees and Subcommittees:
  Senate Committee on Appropriations
  Senate Subcommittee on Defense, Committee on Appropriations
  Senate Committee on Armed Services
  Senate Committee on Governmental Affairs
  House Committee on Appropriations
  House Subcommittee on Defense, Committee on Appropriations
  House Committee on Armed Services
  House Committee on Government Operations
  House Subcommittee on Legislation and National Security, Committee on Government Operations

Part IV - Management Comments

Under Secretary of Defense for Acquisition and Technology Comments

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON DC 20301-3000

ACQUISITION AND TECHNOLOGY

MAR 2 2 1994

DP (DAR)

MEMORANDUM FOR DIRECTOR, ACQUISITION MANAGEMENT DIRECTORATE, DODIG

THROUGH: CHIEF, CONGRESSIONAL ACTIONS AND INTERNAL REPORTS

SUBJECT: Draft Audit Report on the Disposition of Assets from Canceled or Completed Programs (Project No. 3AB-0036)

This responds to your January 21, 1994, memorandum requesting comments on the subject draft audit report.

Recommendation 1 is that the Under Secretary of Defense for Acquisition and Technology expedite Defense Logistics Agency's (DLA) proposed change to Federal Acquisition Regulation Part 49, Termination of Contracts, to require contractors to submit inventory schedules within 120 days of contract cancellation.

In response to a previous DoDIG audit, report 92-012, we suggested to DLA in February 1993 that it should develop a proposed clause, with appropriate prescriptive language, to address the 120-day requirement. The DLA has now submitted a draft for consideration by the Defense Acquisition Regulations Council. I will ask the Council Director to work the case as quickly as possible.

Eleanor Spector

Eleanor R. Spector
Director, Defense Procurement

Assistant Secretary of the Army (Research, Development and Acquisition) Comments

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
U.S. ARMY CONTRACTING SUPPORT AGENCY
9900 LEESBURG PIKE
FALLS CHURCH, VIRGINIA 22041-3201

REPLY TO
ATTENTION OF

SFRD-KP

17 MAR 1994

MEMORANDUM FOR THE INSPECTOR GENERAL, DEPARTMENT OF DEFENSE (AUDITING), 400 ARMY NAVY DRIVE, ARLINGTON, VIRGINIA 22202-2884

SUBJECT: Draft Audit Report on the Disposition of Assets from Canceled or Completed Programs (Project No. 3AB-0036)

1. Reference is made to your January 21, 1994, memorandum, subject as above.

2. We concur in principle with Recommendation 2 regarding review of the Contracting Officer's determination (required by FAR 45.612-3(a)) that contractor inventory should be stored rather than subjected to the disposition process. We intend to include a requirement in the Army Federal Acquisition Regulation Supplement (AFARS) that any such determination covering storage for a period of one year or more be approved at a level higher than the Contracting Officer. We anticipate the AFARS change will be made by 30 September 1994. It is noted that DFARS 245.612-3(a) requires the Contracting Officer to ensure an annual review of the need for continued storage at Government expense.

3. The point of contact for this action is Rachel Lilley, SFRD-KP, (703) 756-7565.

J. Bruce King
J. Bruce King
Acting Director

Assistant Secretary of the Navy (Research, Development and Acquisition) Comments

THE ASSISTANT SECRETARY OF THE NAVY
(Research, Development and Acquisition)
WASHINGTON, D C 20350-1000

25 MAR 1994

MEMORANDUM FOR THE DEPARTMENT OF DEFENSE INSPECTOR GENERAL

Subj: DRAFT AUDIT REPORT ON THE DISPOSITION OF ASSETS FROM CANCELED OR COMPLETED PROGRAMS (PROJECT NO. 3AB-0036)

Ref: (a) DoDIG memo of 21 Jan 94

Encl: (1) DON Response to the Subject Draft Audit

We have reviewed reference (a) and concur with the intent of the one recommendation directed to the Navy. We have taken action to ensure continued compliance with the Defense Federal Acquisition Regulation Supplement regarding property storage. The detailed comments are in enclosure (1).

Nora Slatkin

Copy to:
NAVINSGEN
NAVCOMPT (NCB-53)

DON RESPONSE TO DODIG DRAFT AUDIT
THE DISPOSITION OF ASSETS FROM CANCELED OR COMPLETED PROGRAMS
PROJECT NO. 3AB-0036

DODIG Recommendation 2:

We recommend that the Assistant Secretary of the Navy (Research, Development and Acquisition) review the contracting officers' justification for storing excess equipment from canceled or completed programs for a period of one year or more.

DON Response:

PARTIALLY CONCUR. We agree with the spirit of the recommendation to ensure an annual review and justification of continued storage of Government property, but disagree with the level of review recommended. Over the last two years the DON has been aggressively pursuing a program to ensure close-out of storage contracts. With no indicated instances of DON non-compliance regarding the annual review requirement, we believe it unnecessary and unreasonable to require that ASN(RD&A) review all contracting officer annual justifications for continued storage.

Moreover, as part of our priority on efficient property management, we annually review the number and placement of storage contracts. We are using this audit as an opportunity to emphasize the requirement to annually review the need for continued storage. A memorandum dated 10 March 94 was sent to our Systems Commands tasking them to review the list of FY 1993 storage contracts, and to provide a report by 7 May 94 to ASN(RD&A) which includes the date of the annual review and justification of continued storage under each contract.

Assistant Secretary of the Air Force (Acquisition) Comments

DEPARTMENT OF THE AIR FORCE
WASHINGTON DC

OFFICE OF THE ASSISTANT SECRETARY

16 MAR 1994

MEMORANDUM FOR DIRECTOR, ACQUISITION MANAGEMENT
OFFICE OF THE INSPECTOR GENERAL
DEPARTMENT OF DEFENSE

FROM: SAF/AQC
1060 Air Force Pentagon
Washington DC 20330-1060

SUBJECT: Draft Audit Report on the Disposition of Assets from Canceled or Completed Programs (Project No. 3AB-0036) - INFORMATION MEMORANDUM

This is in response to your memorandum, same subject, dated 21 Jan 1994 to the USD(A&T) and the Director, Defense Logistics Agency. Our comment on Recommendation No. 2, the only recommendation directed to the military departments, is attached.

IRA L. KEMP
Associate Deputy Assistant
Secretary (Contracting)
Assistant Secretary (Acquisition)

Attachment:
Comment

Air Force Comment
on
DOD Inspector General Draft Audit Report
on the
Disposition of Assets from Canceled or Completed Programs
(Project No 3AB-0036)

Recommendation 2 We recommend that the Assistant Secretary of the Army (Research, Development and Acquisition), the Assistant Secretary of the Navy (Research, Development and Acquisition), and the Assistant Secretary of the Air Force (Acquisition) review the Contracting Officers' justification for storing excess equipment from canceled or completed programs for a period of 1 year or more

Comment on Recommendation 2: Concur with Intent. The recommendation to require justification for the long-term storage of Government property restates a requirement contained in USD(A) memorandum, Government Property in the Possession of Contractors, 25 Nov 1986. This memorandum directed the DOD components to "require justification for continued storage and establish procedures for annual screening for retention/disposition.. ". This requirement was subsequently promulgated in the Defense FAR Supplement (DFARS) 245.612-3, Special storage at the Government's expense--

> "...(a) before authorizing storage, the contracting officer shall ensure funds are available to pay for the storage and related tasks. In addition, the contracting officer shall ensure an annual review of the need for continued storage at Government expense."

In sum, while we agree that there should be periodic reviews of decisions to store Government property, we do not believe these reviews are necessary at the level of the Assistant Secretary of the Air Force As an alternative measure to add visibility to this issue, AFM 67-1, Vol III, Part One, Chapter 9, Section G is under revision to address reviews of storage decisions.

Defense Logistics Agency Comments

DEFENSE LOGISTICS AGENCY
HEADQUARTERS
CAMERON STATION
ALEXANDRIA, VIRGINIA 22304-6100

IN REPLY REFER TO

DDAI

21 MAR 1994

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING, DEPARTEMENT OF DEFENSE

SUBJECT: Draft Report, "Disposition of Research and Development Test Assets for Cancelled or Completed Programs," (Project No. 3AB-0036)

This is in response to your 21 Jan 1994 request.

4 Encl

JACQUELINE G. BRYANT
Chief, Internal Review Office

cc:
AQCOE

21 MAR 1994

TYPE OF REPORT: AUDIT

PURPOSE OF POSITION: INITIAL POSITION

AUDIT TITLE & NO: The Disposition of Assets from Canceled or Completed Programs (Project No. 3AB-0036)

FINDING A: Reutilization of Assets from Canceled or Completed Programs Not Being Realized (See Page 8 of the Draft Report)

DLA COMMENTS: Concur. We agree with the DoD Inspector General that improvements can be made in the reutilization of assets from canceled or completed programs. DLA actions to enhance the reutilization of these assets are addressed in our responses to recommendations A.3.a. through A.3.c. below.

INTERNAL MANAGEMENT CONTROL WEAKNESSES:
( ) Nonconcur
(X) Concur; however, weakness is not considered material
( ) Concur; weakness is material and will be reported in the DLA Annual Statement of Assurance.

ACTION OFFICER: Loretta Bowman, AQCOE, x4751
PSE REVIEW/APPROVAL: ROBERT P. SCOTT, Exec Dir, Contract Mgmt
COORDINATION: AQCOE, AQCO, CAILP, AQCBA, MMSLD
DLA APPROVAL:

HELEN T. McCOY
Acting, Chief Financial Officer
Defense Logistics Agency

TYPE OF REPORT: AUDIT

PURPOSE OF POSITION: INITIAL POSITION

AUDIT TITLE: The Disposition of Assets from Canceled or Completed Programs (Project No. 3AB-0036)

RECOMMENDATION A.3.a: Recommend that the Director, Defense Logistics Agency, change DLA implementing regulations after Recommendation 1 is implemented, to state that contractors will submit inventory schedules within 120 days of contract cancellation.

DLA COMMENTS: Concur. DLA has submitted to the Defense Acquisition Regulatory Council a proposed change to the Federal Acquisition Regulation (FAR) Part 49, "Termination of Contracts," which will require contractors to submit inventory schedules within 120 days of contract cancellation. Upon the publication of the FAR change, DLA will change our implementing regulations to require Termination Contracting Officers and Plant Clearance Officers to ensure that contractors prepare and submit inventory schedules within 120 days of contract cancellation.

DISPOSITION:
(X) Action is ongoing. Estimated Completion Date: 31 Oct 94
( ) Action is considered complete.

INTERNAL MANAGEMENT CONTROL WEAKNESSES
( ) Nonconcur
(X) Concur; however, weakness is not considered material
( ) Concur; weakness is material and will be reported in the DLA Annual Statement of Assurance.

RECOMMENDATION MONETARY BENEFITS: Funds put to better use. Monetary benefits cannot be quantified until FAR change has been implemented.
DLA COMMENTS: Concur. Monetary benefits cannot be quantified until FAR change has been implemented.
ESTIMATED REALIZATION DATE:
AMOUNT REALIZED:
DATE REALIZED:

ACTION OFFICER: Loretta Bowman, AQCOE, x47751
PSE REVIEW/APPROVAL: ROBERT P. SCOTT, Exec Dir, Contract Mgmt
COORDINATION: AQCOE, AQCO, CALIP, AQCBA, MMSLD
DLA APPROVAL:

HELEN T. McCOY
Acting, Chief Financial Officer
Defense Logistics Agency

TYPE OF REPORT: AUDIT

PURPOSE OF POSITION: INITIAL POSITION 21 MAR 1994

AUDIT TITLE: Reutilization of Assets from Canceled or Completed Projects (Project No. 3AB-0036)

RECOMMENDATION A.3.b: Recommend that the Director, Defense Logistics Agency, terminate the Contractor Inventory Redistribution System and modify the DRMS Automated Information System to include the screening of excess equipment currently being screened in the Contractor Inventory Redistribution System.

DLA COMMENTS: Partially concur. DLA is currently working on changing the media by which contractor inventory is screened, including the manner in which contractor inventory is disseminated to CIRS catalog subscribers. CIRS catalog information will be provided via a computer bulletin board to the current 1500 hard copy subscribers. CIRS subscribers have been put on notice that the elimination of CIRS hard copy catalogs is scheduled for April 1994. However, this will not eliminate CIRS in its entirety. DLA is currently developing the Plant Clearance Automated Reutilization Screening System (PCARSS), whereby defense contractors will, via computer, submit inventory schedules directly into the screening process, thereby eliminating the need for the CIRS clerical function. If contractors are unable or unwilling (prior to making it a contractual requirement), to input data into PCARSS, the Plant Clearance Officer will accomplish the input. It should be noted that DoD (DLA) is not maintaining duplicative systems for common processes. PCARSS is not another "screening system." Its purpose is to automate the plant clearance process and allow contractor reported excess to be screened using the same automation highway as the Defense Reutilization and Marketing Automated Information System (DAISY). Thus, it is all one screening system. We expect this process should be completed by March 1995.

DISPOSITION:
(X) Action is ongoing. Estimated Completion Date: 31 Mar 95
( ) Action is considered complete.

INTERNAL MANAGEMENT CONTROL WEAKNESSES
( ) Nonconcur
(X) Concur; however, weakness is not considered material
( ) Concur; weakness is material and will be reported in the DLA Annual Statement of Assurance.

RECOMMENDATION MONETARY BENEFITS: Funds Put To Better Use. DLA could avoid spending $1.2 million on CIRS for FYs 95-98.
DLA COMMENTS: Concur.
ESTIMATED REALIZATION DATE: 1998
AMOUNT REALIZED:
DATE REALIZED:

ACTION OFFICER: Loretta Bowman, AQCOE, x45771
PSE REVIEW/APPROVAL: ROBERT P. SCOTT, Exec Dir, Contract Mgmt
COORDINATION: AQCOE, AQCO, CAILP, AQCBA, MMSLD, MMSLS
DLA APPROVAL:
HELEN T. McCOY
Acting, Chief Financial Officer
Defense Logistics Agency

TYPE OF REPORT: AUDIT

PURPOSE OF POSITION: INITIAL POSITION

AUDIT TITLE: The Disposition of Assets from Canceled or Completed Programs (Project No. 3AB-0036)

RECOMMENDATION A.3.c: Recommend that the Director, Defense Logistics Agency, change DLA Plant Clearance Handbook to require the Plant Clearance Officers to forward the inventory schedules to the Major Range and Test Facility Bases and other Government Agencies deemed necessary by the Plant Clearance Officers. In addition, the DLA should evaluate the access list for the DRMS Automated Information System to ensure that activities such as the Major Range and Test Facilities and other Government Agencies are included.

DLA COMMENTS: Partially concur. The Plant Clearance Handbook encourages PLCOs to become actively involved in the screening process by developing the necessary contacts throughout the DoD world to ensure excess property is reutilized to the maximum extent possible. As part of our overall effort to expand our reutilization base we will survey the Major Range and Test Facility Bases (MRTFBs) to determine their excess property interests and publish the information accordingly. It should be noted that each Camp, Post and Station currently is afforded the opportunity to interrogate excess property via the DAISY. However, we will review the Defense Reutilization and Marketing Automated Information System (DAISY) to ensure the MRTFBs are included.

DISPOSITION:
(X) Action is ongoing. Estimated Completion Date: 29 Jul 94
( ) Action is considered complete.

INTERNAL MANAGEMENT CONTROL WEAKNESSES
( ) Nonconcur
(X) Concur; however, weakness is not considered material
( ) Concur; weakness is material and will be reported in the DLA Annual Statement of Assurance.

RECOMMENDATION MONETARY BENEFITS: Funds Put To Better Use. Saves $24 million in replacement costs at NASA.
DLA COMMENTS: Other than the $24 million savings to NASA, monetary benefits cannot be quantified.
ESTIMATED REALIZATION DATE:
AMOUNT REALIZED:
DATE REALIZED:

ACTION OFFICER: Loretta Bowman, AQCOE, x47751
PSE REVIEW/APPROVAL: ROBERT P. SCOTT, Exec Dir, Contract Mgmt
COORDINATION: AQCOE, AQCO, CAILP, AQCBA, MMSLD, MMSLS
DLA APPROVAL:

HELEN T. McCOY
Acting, Chief Financial Officer
Defense Logistics Agency

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