Evaluation Report

OFFICE OF THE INSPECTOR GENERAL

EVALUATION REPORT ON THE DEFENSE REUTILIZATION AND MARKETING SERVICE

Report No. 96-095 April 17, 1996

DEPARTMENT OF DEFENSE

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Acronyms

ADP	Automated Data Processing
DFAS	Defense Finance and Accounting Service
DIMES	DLA Integrated Management Engineering System
DLA	Defense Logistics Agency
DRMO	Defense Reutilization and Marketing Office
DRMS	Defense Reutilization and Marketing Service
IG	Inspector General

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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April 17, 1996

MEMORANDUM FOR DIRECTOR, DEFENSE LOGISTICS AGENCY
COMMANDER, DEFENSE REUTILIZATION AND MARKETING SERVICE

SUBJECT: Evaluation Report on the Defense Reutilization and Marketing Service (Report No. 96-095)

We are providing this final evaluation report for your review and comment. This report focuses on the administrative processes of the Defense Reutilization and Marketing Service. Comments from the Defense Logistics Agency and the Defense Reutilization and Marketing Service were considered in preparing the final report. No further comments are necessary.

We appreciate the courtesies extended to the evaluation staff. Questions on the evaluation should be directed to Mr. David A. House, Program Director, (703) 604-8783 (DSN 664-8783) or LTC Scott Larrabee, Evaluation Project Manager, (703) 604-8784 (DSN 664-8784). The distribution of the report is in Appendix B. The evaluation team members are listed on the inside back cover.

Robert J. Lieberman
Assistant Inspector General
for Auditing

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Office of the Inspector General, DoD

Report No. 96-095 **April 17, 1996**
(Project No. 6LH-9005)

Defense Reutilization and Marketing Service

Executive Summary

Objectives. We conducted an evaluation, originally termed an inspection, of the Defense Reutilization and Marketing Service (DRMS) from February to April 1995. The purpose of our evaluation was to determine the effectiveness and efficiency of the management programs and administrative processes used by the DRMS to support its mission. Our efforts focused on three major areas:

- organization requirements, plans, and resources;
- internal management and administrative programs; and
- internal oversight and control mechanisms.

Evaluation Results. We noted several positive aspects in the management of the organization. The DRMS had established a clear vision for change. Overall, DRMS has effective processes for civilian personnel management, contract management, mission requirements determination, and safety and health management. We noted the following specific areas where improvements in the command's management processes were warranted.

- **Manpower Requirements.** The DRMS needed to change its manpower requirements determination process to meet the changing needs of the organization.
  - We recommend that the Commander, Defense Reutilization and Marketing Service, conduct and use efficiency and manpower reviews to determine organization manpower requirements; and develop and implement procedures to ensure that workload and manpower measurement data reflect current operations.
- **Financial Management.** The DRMS internal and external financial operating procedures needed improvement.
  - We recommend that the Commander, Defense Reutilization and Marketing Service improve internal processes and work with the Defense Finance and Accounting Service to eliminate all financial transaction processing backlogs; reconcile and correct unliquidated obligations; and ensure all parties agree and formalize the Defense Finance and Accounting Service continuity of operations plan.
- **Military Drug Abuse Testing.** The DRMS did not have an effective military drug abuse testing program.
  - We recommend that the Commander, Defense Reutilization and Marketing Service, implement management processes and mechanisms to ensure that the drug abuse testing program has adequate oversight, and is administered appropriately.

- **Property Accountability.** The DRMS did not have an adequate property accountability system for its internal property.

  - We recommend that the Commander, Defense Reutilization and Marketing Service, take an inventory and establish hand receipts for property held by managers and forward all hand receipts to the accountable property officer; account for all property on the Defense Reutilization and Marketing Service property book; ensure all automated data processing equipment is properly safeguarded and accounted for; and establish and use a comprehensive and reliable automated data processing equipment property accountability system that includes the capability to identify property location.

- **Internal Management Control Program.** The DRMS internal management control program needed improvement to ensure that weaknesses are identified and corrective actions are implemented properly.

  - We recommend that the Commander, Defense Reutilization and Marketing Service, give more emphasis to the internal management control program coordinator roles and responsibilities; update the Defense Reutilization and Marketing Service assessable units listing and conduct risk assessments as processes or procedures are implemented; and follow up to ensure that corrective measures are implemented.

Management Comments. The DRMS responded to all of the recommendations through the Defense Logistics Agency. The Principal Deputy Director, DLA, concurred with the intent of the recommendation to conduct efficiency and manpower reviews, but did not specifically address the recommendatation. Instead, management replied that DRMS is continuously reengineering the way of doing business and the way of determining manpower requirements and procedures to ensure workload data and manpower data reflect current operations. Regarding financial management recommendatations, the DLA partially concurred, stating that in a December 7-9, 1995, agreement, DFAS-Columbus and DRMS jointly agreed to research and process the backlog of financial transactions. The DRMS backlog was cleared on February 29, 1996. Also, DRMS suspended efforts for establishing a concept of operations plan with DFAS, instead relying on a formal written agreement between DLA and DFAS.

The DLA agreed that DRMS should establish a military drug abuse testing program. Regarding property accountability recommendations, DLA partially agreed, stating that DRMS had updated hand receipts, safeguarded and accounted for automated data processing equipment, and that it would begin using the Defense Property Accountability System in March 1996. Finally, DLA stated that internal management control program recommendations identified in the draft report were either in the process of being fixed during the time of the evaluation or were fixed by August 1995. See Part III for a discussion of the management comments and Part IV for the full text of management comments.

Audit Response. The DLA comments were partially responsive. Due to the elapsed time since the inspection and the emergence of factors such as intensified consideration of privatization alternatives related to DRMS, no further response is required.

PART I - INTRODUCTION

GOAL

The goal of our evaluation was to evaluate the efficiency and effectiveness of the processes and mechanisms used by the Defense Reutilization and Marketing Service (DRMS) to manage resources; provide effective internal management and administrative programs; and provide oversight. Specific objectives were to:

OBJECTIVES

- Evaluate the adequacy of the processes and mechanisms used to identify DRMS mission requirements, and to plan, acquire, and organize resources to meet those requirements.
- Evaluate the efficiency and effectiveness of DRMS internal management and administrative programs, policies, and practices for:
  - civilian personnel management
  - contract management
  - financial management
  - information resource management
  - logistics and supply management
  - military personnel management
  - safety and health
- Evaluate the adequacy of DRMS oversight and internal management control processes.

SCOPE AND METHODOLOGY

We reviewed applicable laws, DoD regulations, and Defense Logistics Agency (DLA) and DRMS policies, procedures and regulations. We also compared DRMS operations with best business practices, and performed an evaluation of how managers have incorporated the objectives of the Defense Performance Review.

To gain an understanding of how the DRMS operates, we collected copies of DLA and DRMS reports, meeting notes, and files primarily from FYs 1994 and 1995. From February through May 1995, we interviewed personnel assigned to the headquarters elements at Battle Creek, Michigan; the operations centers at Columbus, Ohio, and Ogden, Utah; the International Sales Office at Memphis, Tennessee; and eight different Defense Reutilization and Marketing Offices (DRMOs) located throughout

the continental United States. In addition, we distributed an organizational management information query to personnel within the DRMOs to determine the degree of satisfaction with support functions. We distributed an additional query to those in the military who generate excess property to determine their degree of satisfaction with the support the DRMS provided. However, we did not use the data, statistical sampling, nor statistical projections for this evaluation.

DRMS Processes Reviewed

We reviewed the processes DRMS used to develop, disseminate, implement, and evaluate policies and regulations throughout the organization. We also evaluated whether those policies and regulations actually supported the purpose of the organization. We reviewed the organization's goals and objectives, and evaluated progress made towards achieving those goals and objectives. We relied on management reports provided by DRMS.

Functional Elements Reviewed

To evaluate the functional elements within DRMS, we reviewed the roles and responsibilities assigned to the major elements of the organization. We evaluated whether they were clearly defined and established a logical flow between and within the functional elements. We also reviewed the planning mechanisms that existed in the organization to ensure that appropriate managers and operators were involved in the planning of the organization mission. In particular, we identified ways in which the organization developed, implemented, and measured ways of doing business.

PRIOR COVERAGE

The General Accounting Office and the Inspector General (IG), DoD, conducted reviews of specific aspects of the DRMS mission. The IG, DoD, is evaluating sales and cost data produced by DRMS to determine their accuracy and usefulness to management.

The following is a brief summary of the reports that address areas related to our evaluation.

- General Accounting Office Report NSIAD-94-189, "Opportunities Exist to Enhance DoD's Sales of Surplus Aircraft Parts," September 8, 1994, found that the DoD proceeds from sales averaged less than the amount DoD paid for the items. The General Accounting Office also noted few incentives for the disposal staff because proceeds from sales are deposited in the Defense Business Operations Fund.

- General Accounting Office Report NSIAD-94-40, "Widespread Abuse in Recycling Program Increases Funds for Recreation Activities," December 10, 1993, found millions of dollars were being used annually for

morale, welfare, and recreation that should be used instead to offset the need for appropriated funds or be returned to the United States Treasury.

- IG, DoD, Report No. 95-220, "Financial Statements of the Defense Logistics Agency Reutilization and Marketing Service Business Area of the Defense Business Operations Fund for FY 1994," June 5, 1995, stated that an opinion could not be rendered on the FY 1994 financial statements because account balances presented on the Statement of Financial Position and the Statement of Operations were based on unreliable financial data. The DRMS implementation of the DoD Internal Management Control Program was also ineffective at reporting weaknesses related to the preparation of financial statements.

- IG, DoD, Report No. 95-025, "Distribution of Proceeds From the Sale of Reimbursable Scrap Material," November 8, 1994, found internal controls were ineffective in providing for appropriate distribution of proceeds from the sale of scrap to qualified DoD recipients.

- IG, DoD, Report, No. 94-164,"Financial Statements of the Defense Reutilization and Marketing Service for FY 1993," June 30, 1994, stated that the FY 1993 financial statements cannot be relied upon for assessing the DRMS financial position, results of operations, or performance. The DRMS implementation of the DoD Internal Management Control Program was also ineffective at reporting weaknesses related to the preparation of financial statements.

- IG, DoD, Report No. 94-158, "Cash Management Within the Defense Reutilization and Marketing Service," June 30, 1994, found that the Defense Finance and Accounting Service (DFAS) Columbus Center retained pre-FY 1993 and FY 1993 sales proceeds in suspense accounts for extended periods in lieu of releasing the proceeds to qualified recipients. The report concluded that internal controls were ineffective to ensure the timely reimbursement of sales proceeds.

- IG, DoD, Report 92-INS-01, "Disposal of Excess Personal Property in the DoD," September 4, 1991, found unnecessary "layering" and poor delineation of responsibilities among the various policy levels. In addition, the report concluded that using operations and maintenance funds as the predominant funding source is not the most effective method for promoting business-like management.

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PART II - ORGANIZATIONAL OVERVIEW

MISSION AND ORGANIZATIONAL STRUCTURE

The DRMS is responsible for the disposal of surplus personal property and hazardous materials generated by DoD activities. The mission of DRMS is accomplished primarily through the reutilization, transfer, and donation of surplus property, sale of usable and scrap material, and issuance of disposal contracts for removal of hazardous waste materials. Surplus property that is not reutilized, transferred to other federal agencies, or donated to state and local agencies may be offered for sale to the public through local and national sales under the Surplus Property Sales Program, operated by DRMS.

Program policy, guidance, and oversight is provided from the Headquarters, DRMS, in Battle Creek, Michigan, and satellite headquarters locations in Columbus, Ohio (Operations East), Ogden, Utah (Operations West), and Wiesbaden, Germany (Europe Region). National and international related sales is the mission of the National Sales Office (also referred to as the International Sales Office). Zone managers are subordinate offices to the Operations Centers or Europe Region and supervise geographically oriented DRMOs. The DRMOs are the DRMS representatives and technical authority on disposal matters within assigned geographical areas throughout the United States and overseas.

Organization Under Change

The DRMS is an organization that has been, and continues to be challenged by change. In FY 1992, DoD designated DRMS as a business area under the Defense Business Operations Fund with a requirement to prepare audited financial statements starting in FY 1993. In that same year, DRMS reorganized its regional field offices, reducing the number from five to one, while creating Operations East and Operations West and the National Sales Office. In 1993, DLA, directed the new commander of DRMS to "fundamentally change the way the DRMS does business."

DRMS is Designated a Reinvention Laboratory

In 1994, the Defense Performance Review designated DRMS as a reinvention laboratory. As a reinvention laboratory, DRMS received the challenge to foster excellence by integrating principles of the Defense Performance Review throughout its organization and by creating the culture of an entrepreneurial organization.

Designated as a Potential Candidate for Privatization

The Defense Performance Review also announced DRMS as a potential candidate for privatization. For the last several years and continuing today, there has been DoD top level management and congressional interest over whether DRMS should be partially or fully privatized. Firms in private industry have

analyzed the DRMS operations and briefed senior congressional representatives and senior DoD officials regarding their ability to perform the DRMS mission.

Restructuring

The DRMS has undergone significant restructuring in the last year with the intent of improving processes and products. In February 1995, DRMS initiated a new organization that realigned old functions and created new ones. Simultaneously, DRMS realigned field offices by establishing a new layer of management above the DRMOs and below the two operations centers. Those positions are called zone managers and their functions are similar to a regional manager in the civilian sector. The DRMS zone managers supervise and monitor several DRMOs within a geographical area. In addition, DRMS had plans to relocate and transfer functions from the National Sales Office to the Headquarters.

Emphasis on Becoming a Profit-Driven Organization

Given the external factors described and the broad guidance from the Commander, DLA, the Commander, DRMS, has refocused the DRMS and initiated numerous programs, many with an emphasis on achieving profitability and self-sufficiency. In FY 1994, for example, DRMS received $207 million from the Military Departments (Service Level Billing) to sustain DRMS operations because DRMS operated at a loss. The DRMS is emphasizing increased profits, while continuing to emphasize improved operations in its traditional DRMS responsibilities (for example, reutilization, transfer and donation, and hazardous property disposal).

PART III - ISSUES AND RECOMMENDATIONS

Overall, DRMS has effective processes for civilian personnel management, contract management, mission requirements determination, and safety and health management. Oversight of mission areas was adequate. Particularly noteworthy was the oversight of sales and reutilization, transfer and donation functions. Sales-related performance indicators were clearly defined and communicated; subordinate level feedback was provided daily through the chain of command to the headquarters and performance was linked to performance appraisals and awards.

In this section of the report, we discuss the areas in which we believe there are further opportunities to improve. The areas include manpower requirements determination, financial management, military drug abuse testing, internal property accountability, and internal management controls.

MANPOWER REQUIREMENTS DETERMINATION

Background

Resource determination is the process used by an organization to evaluate what resources (for example, equipment, funds, and personnel) are needed to perform the tasks necessary to accomplish its mission. The process also allocates the necessary resources to the managers who will employ them to perform the organization's tasks.

An adequate resource requirements determination process not only determines the type and quantity of resources needed, but also has mechanisms to allocate resources in accordance with the priorities that have been assigned by the organization.

An organization's manpower consists of all the personnel it is authorized to employ to accomplish its missions and functions including assigned military and government civilian employees. The objective of manpower requirements determination is to identify and obtain the minimum personnel required to perform the assigned mission and headquarters support functions.

Manpower Policy

In a June 30, 1993, memorandum providing manpower authorization and operating guidance for FYs 1993 and 1994, the Under Secretary of Defense for Personnel and Readiness specified the need to review organizations, at least annually, to identify program objectives and the manpower requirements necessary to achieve those objectives. In addition, DoD Directive 5010.37, "Efficiency Review, Position Management, and Resource Requirements Determination," November 17, 1987, states in part, "... DoD Components shall manage, provide resources, and evaluate activities based on output performance requirements and standards...." The directive also states that the process "... shall be the basis for continued and directed efforts for productivity, performance, efficiency, and effectiveness improvement ...."

Manpower Management

Manpower management provides the means for managers to establish a relationship between the work to be done, and the distribution of people and skills necessary to do the work. Effective manpower management depends on accurate determination of personnel requirements in terms of quantity and skills. That function is important for DRMS, because manpower is the principal resource to support mission accomplishment. Thus, manpower analysis should be an integral part of the DRMS resource allocation process.

During our evaluation, we reviewed the processes normally used to determine manpower requirements: manpower staffing and workload analysis.

ISSUE

The DRMS needs to change its manpower requirements process to meet the changing needs of the organization.

PROCESSES TO HELP DURING CHANGES

The DRMS process for managing its manpower requirements did not facilitate actions to recognize and correct areas affected by organizational changes. For example, zone manager positions were established without analysis of the manpower needed to perform the new requirements. Efficiency reviews and manpower surveys are examples of processes that are normally used to manage manpower requirements. Those processes are critical to organizations that are undergoing dynamic structural and functional changes, such as DRMS. The DRMS is primarily managing its manpower requirements based on available labor dollars and is not using quantitative analysis like efficiency reviews or manpower surveys; especially above the DRMO level.

Managing to Labor Dollars

The DRMS is primarily managing its manpower through the labor budget process. For example, DRMS organizational elements received the same labor dollars in FY 1995 as they did in FY 1994, unless they justified program growth. The only instructions provided to DRMS elements about calculating labor dollars in FY 1995 was in the Program Objective Memorandum guidance; yet, even in these instructions, there was no guidance on using quantitative analysis (workload driven analysis) for manpower estimates. Consequently, manpower billets for program growth are primarily notional estimates. Managing to labor dollars is not the most effective or efficient way to manage manpower.

Workload Analysis

To determine manpower requirements based on staffing standards, a resource manager needs to know the work load performed by the organization or unit. Workload data are the product (output) produced by an organization or activity. The staffing standard is then applied to the total work load or products

of the organization or activity to determine the manpower required. As such, workload data and staffing standards must be valid to accurately determine manpower requirements.

DIMES-A Tool for DRMS

One tool DRMS uses to help determine its work load is the DLA Integrated Management Engineering System (DIMES). The DIMES is comprised of standards that represent the average amount of time it should take to accomplish processes or tasks necessary to do a specific job. The DIMES generates special purpose data reports that list each task in detail. Uses of the special purpose data standards are to:

- program, plan, and schedule work, personnel, and facilities and
- control costs, operate efficiently, and determine staff requirements.

DIMES Does Not Reflect Current Workload

The DIMES was used in conjunction with some DRMO business assessments; however, the special purpose data were not updated to reflect new processes in response to new DRMS productivity goals. For example, the DRMOs have changed procedures to meet productivity goals such as reducing DRMO receipt processing times, and increasing retail sales instead of local auctions. They have also expanded reliance on automated systems. If a standard does not reflect the work being done, the work load cannot be properly measured. The usefulness of special purpose data depends on accurate standards, measuring against those standards, and analyzing the results.

Quantitative Analysis Not Effectively Used Above DRMO Level

Efficiency reviews or manpower surveys, to include the DIMES, were not effectively used to analyze the changes in work load above the DRMO level. Significant restructuring of DRMS occurred that affected work load. For example, a new concept using zone managers was established in February 1995. The Headquarters, DRMS in Battle Creek restructured in March 1995. The National Sales Office is being consolidated under Headquarters, DRMS, with some potential manpower changes, and the operations centers will be potentially affected by the restructuring. Despite all the changes, the DRMS did not make changes to its manpower using quantitative analysis, to include DIMES.

Analysis of Zone Manager Concept

The DRMS did not use quantitative analysis to determine the manpower resource impacts prior to implementing the zone manager concept.

- The zone manager work load and manpower requirement was not determined by analysis.

- Administrative functions associated with the zone manager concept, like budget and personnel management, were not clearly established before restructuring under zones, causing confusion and inefficiency at DRMOs and Zones.

- There was no analysis to determine the impact of creating a new zone manager position on personnel actions, such as relocating positions, working for same grade level personnel, and eliminating positions.

Conclusion

Manpower measurement and assessment systems are designed to provide managers with tools to assess and evaluate operational effectiveness. Also, those systems provide a means to determine and implement efficient and effective organization and resource plans, enforce cost control, and measure mission performance. The DIMES is not effectively used throughout the DRMS, and the DRMO workload standards are not up-to-date. Instead, the DRMS is primarily managing its manpower based on available labor dollars. Without a consistent method of evaluating manpower needs, DRMS cannot ensure the most effective and economical use of DoD manpower.

Recommendation 1

The Commander, Defense Reutilization and Marketing Service,

a. Conduct and use efficiency and manpower reviews to determine organization manpower requirements.

b. Develop and implement procedures to ensure that workload and manpower measurement data reflect current operations.

Management Comments

The DRMS concurred with the intent of the recommendation, stating that it is continuously reengineering business processes and its way of determining organization and manpower requirements. In addition, DRMS stated that it is ensuring that workload and manpower requirement data reflect current operations. For example, it is privatizing selected functions based on analysis of product and process lines, using bar coding to improve asset visibility and using incentives and goals to increase productivity.

Audit Response

Although DRMS concurred with the intent of the recommendation, the comments were not fully responsive. The matter may be rendered moot, however, by emerging plans to privatize much of DRMS functions and the types of analysis done pursuant to privatization studies.

FINANCIAL MANAGEMENT

Financial management is the accounting, management, and control of financial resources. Accounting is the structure of methods and procedures used to record, classify, and report information on the financial position and operations of a governmental activity or any of its funds and components. It is comprised of various operations to authorize, record, classify, and report financial data related to financial sources and gains, expenses, losses, transfers out, liabilities, and equities.

Background

The Finance Liaison Division was established under the Office of Planning and Resource Management in November 1994, as a result of the establishment of the DFAS-Columbus Center. The DFAS finance and accounting function was previously collocated at Headquarters, DRMS. The Finance Liaison Division performs the financial review and accounting liaison operations for DRMS. It processes DRMS commitments, obligations, and expenditure transactions to the DFAS-Columbus Center. The Finance Liaison Division's visibility of commitments, obligations, and expenditures processed by organizations external to the DRMS headquarters is performed through the various financial automated data processing systems the DRMS uses, such as Appropriation Accounting System, Base Operations Supply System, and the On-Line Reporting System.

ISSUE: **The DRMS internal and external financial operating procedures need improvement.**

No Concept of Operations Plan

The DRMS did not have a concept of operations plan with DFAS. With the relocation of DFAS from DRMS, DLA and DRMS recognized a need for a plan that delineated responsibilities between DRMS and DFAS. However, the Finance Liaison Division did not have an approved plan. The lack of a coordinated and approved plan lead to confusion over responsibilities between DRMS and DFAS. For example, the accounting for foreign military sales was transferred in November 1994 to the DFAS-Columbus Center in error, and subsequently returned back to DRMS in April 1995. Additionally, because the roles for processing DRMS financial transaction documents were not delineated, negative unliquidated balances resulted.

Better Funds Control and Monitoring Needed

In our review of six of the seven DRMS functional processes (such as travel, training, and direct expenses) the DRMS needed better control and oversight of its funds. Two examples of inadequate control and oversight were:

- the lack of accurate and timely processing by both DFAS and DRMS resulted in DRMS financial transaction backlogs that ranged from 2 to 6 weeks, and

- inconsistent certification of funds. We reviewed two functional processes and found that funds were not certified before an expenditure was submitted to DFAS for payment. Consequently, there was no assurance that sufficient funds were available to cover the expenditure. Additionally, in a review of four reports in three different functional processes, DRMS fund balances were not consistently reviewed prior to submitting DRMS expenditures for payment to DFAS or prior to disbursement of funds at DFAS. According to DoD 7000.14-R, "Financial Management Regulation," volume 5, chapter 1, December 16, 1993, a DRMS review is required before submitting expenditures for payment or before disbursing funds at DFAS.

DRMS Took Initiatives

Subsequent to our on-site work in February 1995, DRMS provided documentation indicating that working relationships had improved through quarterly DLA-sponsored meetings with DFAS. Coordination between the two commands is encouraging and shows better communications and commitment to problem resolution.

Conclusion

The DRMS and DFAS untimely processing of financial transactions made it difficult for DRMS to verify and reconcile its financial transactions; and raised the issue of the accuracy of financial reports. The Finance Liaison Division was formed in November 1994 and as a new entity was faced with significant organizational challenges. As perhaps expected of a new organization, its programs and policies were not fully developed. We are encouraged with actions it has taken since the on-site portion of our evaluation to solve some of the problems we noted.

Recommendation 2

The Commander, Defense Reutilization and Marketing Service, improve internal processes and work with the Defense Finance and Accounting Service to:

a. Ensure all parties agree and formalize the Defense Finance and Accounting Service concept of operations plan.

Management Comments

The DLA partially concurred with the recommendation, stating that DLA and DFAS-Columbus agreed to one concept of operations, rather than a separate agreement with each Primary Field Level Activity.

Audit Response

The DLA comments are partially responsive. The agreement between DLA and DFAS-Columbus is a document that outlines liaison office missions and functions. We agree that establishing a formal agreement between DLA and DFAS-Columbus is an important first step and should help to formalize working

relationships between Primary Level Field Activities, like DRMS and DFAS. However, we believe that DRMS and DFAS still need to agree and formalize their own concept of operations plan. However, we will leave the matter to management discretion.

b. Eliminate all financial transaction processing backlogs.

c. Reconcile and correct unliquidated obligations.

Management Comments

The DLA partially concurred with the recommendation related to backlogs, stating that they were successfully researched and processed by DRMS and DFAS, culminating on February 27, 1996, with a cleared backlog. DLA further stated that there will always be some unliquidated obligations in the course of normal business because obligations do not get dispersed until the service or product is received.

MILITARY DRUG ABUSE TESTING

Typically, military personnel programs include personnel management; processing personnel actions; maintaining military records; training; and providing separation, transfer support, and counseling.

Background

We examined the internal management, policies, and practices for the military personnel management program. We primarily looked at:

- the establishment of agreements to obtain support,
- the standards of performance the DRMS has established as measurement criteria for the support received through the established support agreements, and
- the oversight of the military personnel program by DRMS.

An adequate military personnel management program should requisition and obtain qualified military personnel, provide efficient basic personnel support for its assigned Service members, and facilitate operational and administrative management of that support.

Operational Support

The DRMS Organization and Functions Manual states that the Office of the Director is responsible to:

- administer and coordinate all personnel matters for the military personnel assigned to DRMS and the Defense Logistics Services Center,
- control the Military Personnel Affairs Program,
- administer military awards and decorations, and
- provide community support for military personnel related matters.

Of the 3,938 personnel employed by DRMS, only 36 military personnel are assigned. Although collectively the organization is joint, military personnel remain members of their respective Service and receive Service-unique support as circumstances and needs require.

ISSUE: **The DRMS does not have an effective military drug abuse testing program.**

Drug Testing Program

The purposes of the drug testing program defined in DoD Directive 1010.1, "Military Personnel Drug Abuse Testing Program," December 9, 1994, are to:

- deter Service members from abusing drugs;
- permit commanders to detect drug abuse and assess the security, military fitness, readiness, good order and discipline of their commands;
- use drug testing as a basis to take action, adverse or otherwise, against a Service member based on a positive test result;
- ensure that urine specimens collected as part of the drug testing program are supported by a proper chain of custody procedure;
- ensure that all military specimens are tested by a DoD-certified drug testing laboratory; and
- recognize the illicit use of anabolic steroids.

Implementation of Drug Testing Program

Military personnel should be tested regardless of the location of their assignment. However, the DRMS has not carried out the random and unannounced drug abuse testing required in the DoD program. When we asked the DRMS about the status of its drug abuse testing program, the DRMS military liaison representative indicated to us that drug testing was not enforced because of a decision by the former Commander, DRMS, to forego testing as it was not cost-effective. While we recognize that testing a small staff may not be cost-effective if a separate drug testing laboratory contract is used, we believe other alternatives are available to the DRMS to carry out its responsibilities for the DoD Drug Abuse Testing Program. For example, the DRMS can formally appoint a program manager to coordinate with a Service or Defense agency to "piggyback" on their laboratories.

Conclusion

Without a viable program that produces tangible data on drug testing results, DRMS cannot determine the success of the program, or detect the extent of drug problems and how those problems affect the DRMS staff and mission.

Recommendation 3

The Commander, Defense Reutilization and Marketing Service, implement management processes and mechanisms to ensure that the DoD drug abuse testing program has adequate oversight and is administered appropriately.

Management Comments

The DLA partially concurred with the recommendation, indicating that the DoD policy requiring that service members only be tested by their respective service resulted in some DRMS military personnel not being tested. However, DLA stated that DRMS initiated a drug abuse testing program, and that procedures were established for each member to be tested by his or her own service. DLA further stated that DRMS will use the nearest parent service installation for drug control program support and select individuals to be tested through a random selection process. Finally, DLA stated that a DRMS plan was in place to test each member throughout the continental United States and overseas.

Audit Response

The DLA comments are adequate.

PROPERTY ACCOUNTABILITY

Background

Logistics includes such functions as acquisition, disposal, disposition, distribution, maintenance, and storage of materiel. An adequate organizational program ensures that the logistical and supply support requirements are fulfilled in the requested time frames and at the expected costs, and that property is properly accounted for and maintained.

Support is Received through Interservice Support Agreements

Headquarters, DRMS, receives logistical and supply support through an interservice support agreement with the Defense Logistics Services Center. The roles and responsibilities of the receiver and supplier are outlined in Interservice Support Agreement, SB4200-91090-025, January 21, 1993.

The DRMOs receive their logistics and supply support through an interservice support agreement from host installations. Operations East, Operations West, and the National Sales Office receive their logistics and supply support through interservice support agreements from the following organizations.

- Operations East: Defense Construction Supply Center, Columbus, Ohio
- Operations West: Defense Distribution Depot, Ogden, Utah
- National Sales Office: Defense Distribution Depot, Memphis, Tennessee

Overall, DRMS logistics and supply management processes and mechanisms are adequate. Logistics support is responsive to managers as procedures are generally established, followed, and monitored. However, improvements are needed in internal property accountability.

ISSUE: **The DRMS does not have an adequate property accountability system for its internal property.**

In 1992, the DRMS property management control system moved from the respective DRMS Regions to the Headquarters in Battle Creek, under the responsibility of one accountable property officer. The DRMS has not established an adequate property accountability system to meet the DoD guidance as described in DLA Regulation 7500.1, "Accountability and Responsibility For Government Property in the Possession of the Defense Logistics Agency," August 26, 1993; DLA Manual 5335.2, "Base Operations Support Systems," July 27, 1984; and Defense Logistics Services Center/Defense Reutilization and Marketing Service Regulation 7500.2, "Use of Hand Receipts," November 26, 1990.

All Property was not Accounted for

All required accountable property was not on the DRMS property book. The DLA Regulation 7500.1 and a December 29, 1994, appointment letter states that the DRMS accountable property officer is responsible for administration and maintenance of the property control accountability system. The accountable property officer should maintain a DRMS property book and hand receipt property to 184 different DRMS managers for local use, control and safekeeping. The accountable property officer did not maintain hand receipts for the 184 managers. As an example, only 16 of 80 hand receipts were on hand from Operations East. No hand receipts were available from the Defense Reutilization and Marketing Region, Europe. The accountable property officer could not adequately account for all the DRMS property.

Improper Control of Battle Creek ADP Equipment

Automated data processing (ADP) equipment was inadequately accounted for at DRMS Headquarters. The interservice support agreement between DRMS and the Defense Logistics Services Center has provisions for the Defense Logistics Services Center to maintain property accountability of Headquarters building office equipment, furniture and appliances; however, no provisions exists for Defense Logistics Service Center accountability or control of the DRMS ADP equipment. The last Defense Logistics Services Center inventory of DRMS ADP equipment was completed over 6 years ago. Since then, DRMS elected to retain accountability for the equipment, consistent with the DRMS responsibility for budgeting, procuring and maintaining ADP equipment. Although DRMS has retained accountability for the equipment, the accountable property officer's appointment letter does not specifically address accountability of ADP equipment.

In the basement of the Headquarters building, for example, we identified a large storage room containing an inventory of over a hundred different pieces of ADP equipment that was not recorded in the DRMS property book. The serviceable or new equipment included automated hardware, software, modems, and telecommunications equipment, to include four minicomputers (AT&T 3B2) that alone are valued at approximately $250,000.

In addition to the lack of property accountability, security controls were also inadequate. We noted that at least seven DRMS personnel and General Services Administration maintenance personnel who worked in the building, had keys to the storage room. There were no formal controls, such as inventory checks or records, of personnel in and out of the room.

ARMS as a Property Accountability Tool

The "DoD Automation Resources Management System (ARMS) Users Guide," June 1993, describes the system as designed and operated to provide on-line access to all DoD Components for managing automation equipment. It further states, "The major system objectives of the DoD Automation

Resources Management System include the following: automation equipment inventory, automation equipment sharing, and automation equipment redistribution."

The DRMS uses the DoD Automation Resources Management System as an automated data processing property accountability system; although, there are no provisions in the Users Guide to accommodate such a purpose. The system has certain limitations that inhibit its use as a comprehensive, reliable property accountability system. For example, it does not have the capability to identify property location and it can inadvertently add or delete property records; both are critical requirements for property accountability. Again, equipment found in the basement of the Headquarters building was not included in the DoD Automation Resources Management System.

Conclusion

The DRMS did not have adequate property controls in place to safeguard Government property against potential, misuse, and theft. DRMS management was not proactive to ensure that procedures were in place and followed by its components to account for property and equipment.

Recommendation 4

The Commander, Defense Reutilization and Marketing Service:

a. Take an inventory and establish hand receipts for property held by Defense Reutilization and Marketing Service managers and forward the hand receipts to the accountable property officer.

Management Comments

The DLA partially concurred with the recommendation, stating that since April 1995, all DRMOs have reviewed their hand receipts and forwarded changes to the accountable property officer for resolution.

b. Account for all accountable property on the Defense Reutilization and Marketing Service property book.

Management Comments

The DLA partially concurred with the recommendation, stating that DRMS property was on an authorized accountable property officer account at the time of the inspection. In addition, DLA stated that an authorized accountable property officer can account for all DRMS accountable property and that there is a signed copy of each inventory in the accountable property officer's account for each DRMO verifying that the items are on hand.

c. Ensure that ADP equipment is properly safeguarded and accounted for.

Management Comments

The DLA partially concurred with the recommendation, stating that all DRMS ADP equipment is properly safeguarded and accounted for; all DRMS ADP equipment has been inventoried and added to the accountable property officer account; and that DRMS ADP equipment is stored in a controlled, locked and limited access area.

d. Establish and use a comprehensive and reliable ADP equipment property accountability system that includes the capability to identify property location.

Management Comments

The DLA partially concurred with the recommendation, stating that the DoD Automation Resources Management System meets accountability requirements, adding that the current system provides a complete audit trail and indicates responsibility for the property. DLA also stated that beginning March 1, 1996, DRMS will use the Defense Property Accountability System, which is the DoD approved property accounting migration system.

Audit Response

The DLA comments are partially responsive. We are encouraged by the intention of DRMS to begin using the Defense Property Accountability System in March 1996. The DRMS conversion to the DoD standard property accountability system is essential, because we disagree with the view that the current system is adequate. The DoD Automation Resources Management System is unsuitable and was not designed as a property accountability system.

INTERNAL MANAGEMENT CONTROL PROGRAM

Background

The Federal Manager's Financial Integrity Act of 1982 requires Executive Agencies to develop internal controls that ensure:

- obligation and costs comply with applicable laws;
- all assets are safeguarded against loss, misappropriation, unauthorized use, and waste; and
- revenues and expenditures applicable to agency operations are recorded and accounted for properly so that accounts and reliable financial and statistical reports may be prepared and accountability of assets may be maintained.

The DoD Directive 5010.38, "Internal Management Control Program," March 16, 1987, implements the Federal Manager's Financial Integrity Act within the DoD.

DRMS Internal Management Control Responsibilities

Responsibilities for establishing policy and operating procedures for the DRMS internal management control program are assigned to the DRMS Director, Office of Planning and Resource Management. The internal management control coordinator administers the program. The DRMS internal management control program guidance was published on March 16, 1994, in DRMS Regulation 5010.4, "Internal Management Control Program." That Directive requires all managers to implement, maintain, and monitor a system of internal management controls in their areas of responsibility and establish administrative procedures to ensure the proper functioning of the internal control system.

To implement the program, DRMS activities have been divided into assessable units. An assessable unit is a function, task or activity that is suitable for an evaluation or test of management controls. Assessable unit managers are required within each Headquarters Directorate and Regional Office.

Internal Management Control Program Operation

The internal management control program is built around a system of risk assessments. Risk assessments are documented reviews of the susceptibility of a function or activity to abuse, fraud, mismanagement or waste. DRMS internal management control program guidance states that risk assessments for assessable units are reviewed at least on a 5-year cycle.

Based on the risk assessment, a risk level is assigned to each assessable unit. Each internal management control assessable unit is the responsibility of the respective functional manager. The managers have a Management Control Plan to test the assessable units against performance controls. The plan serves as a schedule for management reviews, audits, and evaluations that managers use to assess whether each function is meeting the assigned controls.

ISSUE: **The DRMS internal management control program needs improvement to ensure that weaknesses are identified and corrective actions implemented properly.**

Lack of Emphasis

The DRMS was not placing sufficient emphasis on its internal management control program. DoD Directive 5010.38 requires that accountability for success or failure of internal management control practices be reflected in performance evaluations of civilian and military managers that have significant internal management control responsibilities. We interviewed the internal management control coordinator, who is the DRMS single point of contact. His internal management control duties were not included in his position description nor his employee performance appraisal. Instead, he was coordinating the internal management control program as an extra duty. Further, neither the internal management control coordinator nor the chief of internal review were testing reported corrections to ensure that corrective measures reported were actually implemented. The lack of testing and oversight of the program was attributed to the coordinator and chief of internal review lack of resources.

Risk Assessments Not Adequately Reflecting DRMS Changes

The DRMS had not conducted risk assessments in accordance with DoD policy and at a rate commensurate with changing DRMS programs. For example, assessable sales units had not been updated within 5 years. Although major changes have taken place in sales over the last several years, assessable unit number 78a (sales planning and marketing) and number 78b, (research/sales promotion) were both dated February 1990.

Risk Assessment for the Finance Liaison Division

The Finance Liaison Division was established October 1, 1994, yet in February 1995 no assessable unit or risk assessment was performed to assist and oversee the division while it was establishing new procedures and performing its new financial liaison mission requirements. Had DRMS performed assessable unit and risk assessment before our evaluation, some of the problems may have been detected and corrected. On March 24, 1995, as a result of on-site work, assessable unit 132, "Accounting Liaison Process," was established.

Independence to Manage the Internal Management Control Program

We deleted the section of the report dealing with DRMS not establishing an office to independently manage the internal management control program. The DRMS stated that the Office of Quality and Internal Controls was established in March 1995 and the office was performing internal management control responsibilities by May 1995.

Conclusion

The DRMS established the foundation for an internal management control program through directives, training, and planned internal reviews. However, DRMS did not comprehensively addressed internal management controls to ensure against potential fraud, mismanagement, and waste of Government assets.

Deleted and Renumbered Recommendations

As a result of management comments, we deleted draft Recommendation 5a. Draft Recommendation 5b. through 5d. have been renumbered as Recommendation 5a. through 5c.

Recommendation 5

The Commander, Defense Reutilization and Marketing Service:

a. Give more emphasis to the internal management control program manager roles and responsibilities by ensuring the internal management control program manager's duties are included in the position description and in the employee performance plan. Note, that this recommendation was revised from the draft report for clarity, to state "performance plan", instead of, "performance appraisal."

Management Comments

The DLA concurred with the intent of the recommendation, stating that duties of the DRMS internal management control program manager were included in the manager's position description in August 1995.

b. Update the Defense Reutilization and Marketing Service assessable units listing and conduct risk assessments on a minimum, 5-year cycle or as processes or procedures are changed.

Management Comments

The DLA concurred with the intent of the recommendation, stating that DRMS conducts risk assessments every 2 years as opposed to the minimum 5-year cycle required by DoD and DLA. Additionally, DLA stated that in May and June 1995, a top to bottom review of all functions, processes and controls, was conducted by DRMS, resulting in a total reevaluation of all assessable units and associated risk analyses. Further, DLA stated that the actions were documented in the DRMS Commander's 1995 Annual Statement of Assurance, dated October 26, 1995.

c. Follow up to ensure that corrective measures are implemented.

Management Comments

The DLA concurred with the intent of the recommendation, stating that follow-up briefings are an iterative process. Briefings are scheduled for the Commander, DRMS, and on-site reviews are scheduled and performed to ensure that corrective actions are effective. The DLA stated that all recommendations were accomplished by August 1995.

Audit Response

The DLA comments were responsive.

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PART IV - MANAGEMENT COMMENTS

Defense Logistics Agency Comments

DEFENSE LOGISTICS AGENCY
HEADQUARTERS
8725 JOHN J. KINGMAN ROAD, SUITE 2533
FT. BELVOIR, VIRGINIA 22060-6221

IN REPLY REFER TO

DDAI

5 MAR 1995

MEMORANDUM FOR THE ASSISTANT INSPECTOR GENERAL FOR AUDITING, DEPARTMENT OF DEFENSE

SUBJECT: Draft Report on the Proposed Evaluation on the Defense Reutilization and Marketing Service, 6LH-9005

Enclosed is our response to your request of 11 December 1995.

Jacqueline G. Bryant
JACQUELINE G. BRYANT
Chief, Internal Review Office

Encl

cc:
DRMS

Federal Recycling Program Printed on Recycled Paper

Defense Logistics Agency Comments

AUDIT TITLE: Evaluation of Defense Reutilization and Marketing Service, 6LH-9005

RECOMMENDATION 1: The Commander, Defense Reutilization and Marketing Service, conduct and use efficiency and manpower reviews to determine organization and manpower requirements and develop and implement procedures to ensure that workload and manpower measurement data reflect current operations.

DRMS COMMENTS: Concur with the intent. DRMS is faced with the task of managing a rapid and radically changing workforce to respond to new and better ways to do business. As DRMS continues to improve its results oriented, customer driven operational performance as a NPR reinvention lab, we are continuously re-engineering our way of doing business and re-engineering the way we determine organization and manpower requirements, as well as procedures, to ensure that workload and manpower requirement data reflect current operations. Current examples include:

- Privatization of selected functions based on analysis of product and process lines.
- Use of barcoding to improve asset accountability.
- Re-structuring by process as opposed to functions.
- Worldwide total asset visibility via the world wide web.
- Activity based costing to identify possible process or re-engineering options.
- RCP - moving information instead of material.
- Use of incentives and goals to increase productivity.
- Targeting high value property to match customer demands.

Action is considered complete.

ACTION OFFICER: Rosalie Paccione, DRMS-OFP, (DSN)932-7215
PSE APPROVAL: David Fisher, Vice President, DRMS-O

DLA APPROVAL:

Major General, USA
Principal Deputy Director

Defense Logistics Agency Comments

AUDIT TITLE: Evaluation of Defense Reutilization and Marketing Service, 6LE-9005

RECOMMENDATION 2: The Commander, Defense Reutilization and Marketing Service, improve internal processes and work with the Defense Finance and Accounting Service to:

- ensure all parties agree and formalize the Defense Finance and Accounting Service Concept of Operations plan.
- work with DFAS-CO to eliminate all financial transaction processing backlogs.
- work with DFAS-CO to reconcile and correct unliquidated obligations.

DRMS COMMENTS: Partially Concur. DLA and DFAS-CO have agreed to one concept of operations rather than a separate agreement with each Primary Level Field Activity (PLFA) within DLA. This agreement was developed jointly by HQ DLA, PLFAs and DFAS-CO December 7-9, 1995. DFAS-CO and DRMS have been jointly researching and processing the backlog of financial transactions. DRMS backlog was cleared on 27 Feb 96. In the course of normal business, there will always be some unliquidated obligations because obligations do not get disbursed until service and/or product is received.

Action is considered complete.

ACTION OFFICER: Wendy S. Boettger, DRMS-OFA, (DSN)932-7217
PSE APPROVAL: David Fisher, Vice President, DRMS-O

DLA APPROVAL:

Major General, USA
Principal Deputy Director

Defense Logistics Agency Comments

AUDIT TITLE: Evaluation of Defense Reutilization and Marketing Service, 6LH-9005

RECOMMENDATION 3: The Commander, Defense Reutilization and Marketing Service, implement management processes and mechanisms to ensure that the DoD drug abuse testing program has adequate oversight and is administered appropriately.

DRMS COMMENTS: Partially concur. DRMS operates in 44 states and approximately 20 foreign countries, as a joint command; has personnel assigned from all 3 services, and is totally dependent upon host activities to service locally assigned military personnel. Furthermore, the absence of Department of Defense procedures for conducting, and controlling sampling of military personnel requires members of each service to meet the requirements of their parent service's drug abuse testing program. At the time of the inspection, all DRMS military personnel assigned to Europe were being tested. These personnel account for 75 percent of the military personnel assigned to DRMS. In Europe, DRMS personnel are collocated on military installations and procedures exist to allow military personnel assigned to tenant activities to participate in the host's drug testing program. However, the remainder of DRMS military personnel are not collocated on military installations, and were not being tested. This was, in part, caused by the aforementioned lack of a consistent and coherent DoD program for drug abuse testing, allowing a service member to be tested only by his/her own service.

DRMS has established procedures for each member not collocated on a military installation to be tested by his/her own service. The Military Personnel NCOIC has set up the drug testing program and will provide information to each service member on how to be tested. We will use the nearest parent service installation for drug control program support. All of our military personnel are covered by this program.

The Commander, DRMS, will select individuals to be tested through a random selection process, based upon the last number of the individual's Social Security Number. The individual will then be directed to proceed to the appropriate facility for testing. The testing authority will be representative of the individual's own service. A listing of personnel scheduled

Defense Logistics Agency Comments

but not tested will be reported to DRMS-OH with a reason for not being tested. Individuals without a valid reason for not being tested will be subject to disciplinary actions.

Those having valid reasons (e.g., on leave, TDY) will be tested at the earliest possible date. A plan is in place to test each member throughout CONUS and Overseas. This plan conforms with the requirements of all military services.

Action is considered complete.

ACTION OFFICER: SFC Turner, DRMS-OH, (DSN)932-7021
PSE APPROVAL: David Fisher, Vice President, DRMS-O

DLA APPROVAL:

RAY E. McCOY
Major General, USA
Principal Deputy Director

Defense Logistics Agency Comments

AUDIT TITLE: Evaluation of Defense Reutilization and Marketing Service, 6LH-9005

RECOMMENDATION 4: The Commander, Defense Reutilization and Marketing Service;

- take an inventory and establish hand receipts for property held by Defense Reutilization and Marketing Service managers and forward the hand receipts to the accountable property officer.
- account for all accountable property on the Defense Reutilization and Marketing Service property book.
- ensure that automated data processing equipment is properly safeguarded and accounted for.
- establish and use a comprehensive and reliable automated data processing equipment property accountability system that includes the capability to identify property locations.

DRMS COMMENTS: Partially concur. Property at the DRMOs was on an authorized APO account at the time of the inspection. Since April 1995, all of the DRMOs have reviewed their hand receipts and forwarded any changes to the APO for resolution.

An authorized APO can account for all DRMS accountable property. There is a signed copy of each inventory in the APO's account for each DRMO verifying that the items are on hand.

All automated data processing equipment (ADPE) is properly safeguarded and accounted for. All DRMS ADPE has been inventoried and added to the APO account. Additionally, ADPE property is stored in a controlled, locked, and limited access area.

The accounting system the APO is presently using meets the requirements for accountability of DRMS assets. The system provides a complete audit trail and indicates responsibility for the property. However, as a further enhancement to DRMS' accountable property management

Defense Logistics Agency Comments

program, DRMS will use Defense Property Accountability System (DPAS), the DoD approved property accounting migration system beginning March 1, 1996.

Action ongoing. ECD: March 1, 1996

ACTION OFFICER: J. E. Pfannes, DRMS-FH, (DSN)932- 5866
PSE APPROVAL: John C. Cooper, Vice President, DRMS-F

DLA APPROVAL:

Defense Logistics Agency Comments

AUDIT TITLE: Evaluation of Defense Reutilization and Marketing Service, 6LH-9005

RECOMMENDATION 5: The Commander, Defense Reutilization and Marketing Service;

- comply with recommendation in Inspector General, DoD, Report No. 94-164, to ensure Internal Management Control program independence.

- give more emphasis to the Internal Management Control (IMC) program coordinator roles and responsibilities by ensuring the Internal Management Control program coordinator's duties are included in his position description and in his employee performance appraisal.

- update the Defense Reutilization and Marketing Service assessable units listing and conduct risk assessments on a 5-year cycle or as processes or procedures are changed.

- follow-up to ensure that corrective measures are implemented.

DRMS COMMENTS: Concur with the intent. This recommendation is not timely and creates an inaccurate perception of DRMS at the time of the inspection. It fails to recognize the dynamic state of change that existed at the time of the inspection and as such, the publication of this draft report lags behind completion of our actions by 4 to 9 months. As evidenced by the following, DRMS was already addressing the issues identified in the draft report and had completed a major portion while the IG team was still on-site (February to April 1995). Therefore, we nonconcur with this recommendation. DRMS-Q was established March 1, 1995 to provide focus and independance for several management control programs: Operational Compliance Review (OCR), Management Evaluation Visits (MEVs), Internal Review (IR), as well as IMC. This organizational structure provides the IMC program manager with direct access and reporting responsibility to the DRMS Deputy Commander. These actions fully complied with the original recommendation of DoD IG report No. 94-164, dated June 30, 1994. Duties were included in the Program Manager's position description in August of 1995. DRMS conducts risk assessments

Defense Logistics Agency Comments

opposed to the minimum five year cycle required by DoD/DLA. Concurrent with the restructuring of the organization and the establishment of DRMS-Q, a top to bottom review was conducted of all functions, processes and controls in May and June of 1995. Managers then conducted a total re-evaluation of all assessable units and associated risk analyses. This effort resulted in the establishment of 94 assessable units reflective of current functions and responsibilities. The above efforts and accomplishments were documented in the DRMS Commander's 1995 Annual Statement of Assurance, dated October 26, 1995, provided to DLA. Follow-up/status briefings are scheduled for the Commander by the DRMS-Q Vice President based on milestone updates from the appropriate Vice President. This is an iterative process that provides for discussion and analysis of corrective actions. Additionally, on-site reviews (Management Evaluation Visits) are scheduled and performed to ensure that the corrective actions are effective. All recommendations were implemented by August 95, prior to receiving this draft report.

Action is considered complete.

ACTION OFFICER: James Jasper, DRMS-Q, (DSN)932-7212
REVIEW/APPROVAL: Richard Sterken, Vice President, DRMS-Q

DLA APPROVAL:

Ray E. McCoy
RAY E. McCOY
Major General, USA
Principal Deputy Director

Appendix A - Sites Visited

Defense Logistics Agency, Alexandria, VA

Headquarters, DRMS, Battle Creek, MI

DRMS, International Sales Office, Memphis, TN

DRMS Operations West, Ogden, UT

DRMS Operations East, Columbus, OH

DRMO Ft. Belvoir, VA

DRMO Ft. Meade, MD

DRMO Colorado Springs, Ft. Carson, CO

DRMO Port Hueneme, Port Hueneme, CA

DRMO Jacksonville, FL

DRMO Norfolk, VA

DRMO Luke Air Force Base, Glendale, AZ

DRMO Oklahoma City, Tinker Air Force Base, OK

Appendix B - Report Distribution

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  Deputy Comptroller (Program/Budget)
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Department of the Army

Auditor General, Department of the Army*

Department of the Navy

ASN(FM&C)*

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ASAF(FM&C)*

Defense Organizations

Director, Defense Finance and Accounting Service*
Director, Defense Logistics Agency*
Commander, Defense Logistics Services Center*

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Office of Management and Budget
General Accounting Office,
  National Security and International Affairs Division,
    Technical Information Center

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Senate Committee on Armed Services
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House Committee on Government Reform and Oversight
House Subcommittee on National Security, International Affairs, and Criminal Justice, Committee Reform and Oversight
House Committee on National Security

*Recipient of Draft Report

EVALUATION TEAM MEMBERS

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