

A *udit*



R *eport*

COORDINATING AND TRACKING OF
COMMERCIAL CONTAINERS IN KOREA

Report No. D-2001-149

June 22, 2001

Office of the Inspector General
Department of Defense

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Acronyms

| | |
|------|-------------------------------------|
| MCT | Movement Control Team |
| MTMC | Military Traffic Management Command |
| USFK | U.S. Forces Korea |



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June 22, 2001

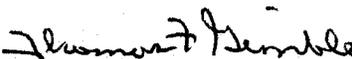
MEMORANDUM FOR COMMANDER, U.S. FORCES KOREA
COMMANDER, MILITARY TRAFFIC MANAGEMENT
COMMAND

SUBJECT: Audit Report on Coordinating and Tracking of Commercial Containers in
Korea (Report No. D-2001-149)

We are providing this report for information and use. We performed the audit in response to a request from the Deputy Under Secretary of Defense (Supply Chain Integration). We considered management comments on a draft of this report when preparing the final report.

The U.S. Forces Korea and Military Traffic Management Command comments conformed to the requirements of DoD Directive 7650.3; therefore, additional comments are not required.

We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Mr. Robert M. Murrell at (703) 604-9180 (DSN 664-9180 (rmurrell@dodig.osd.mil) or Mr. Keith A. Yancey at (703) 604-8774 (DSN 664-8774) (kyancey@dodig.osd.mil). We will provide a formal briefing on the results of the audit, if desired. See Appendix C for the report distribution. The audit team members are listed inside the back cover.


Thomas F. Gimble
Acting

Deputy Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. D-2001-149

(Project No. D2000LH-0131)

June 22, 2001

Coordinating and Tracking of Commercial Containers in Korea

Executive Summary

Introduction. This is one in a series of reports being issued by the Inspector General, DoD, to address the effectiveness of the supply and distribution system. The Deputy Under Secretary of Defense (Supply Chain Integration) expressed concern about whether the supply and distribution system was effective in delivering cargo to customers overseas. This audit discusses the coordinating and tracking of commercial containers within the Republic of Korea (the theater).

Objectives. Our overall objective was to assess the effectiveness of the DoD distribution and transportation system in supporting the DoD strategic goal of reducing logistics response time, as it relates to customers located outside the continental United States. The specific objective for this portion of the review was to assess the movement of commercial containers in the theater.

Results. U.S. Forces Korea did not adequately coordinate and track the movement of commercial containers in the theater. Instead, the 25th Transportation Battalion relied on the 837th Transportation Battalion to perform those duties, even though the 837th Transportation Battalion was not responsible for performing the duties. As a result, adequate controls did not exist to prevent DoD from incurring about \$742,000 in unnecessary detention charges for containers during a recent 2-year period. For details of the audit results, see the Finding section of the report. See Appendix A for details on the management control program as it relates to coordinating and tracking movement of commercial containers within the theater.

Summary of Recommendations. We recommend that the Commander, U.S. Forces Korea, implement container management requirements and procedures; coordinate container management with Military Traffic Management Command; implement a system to coordinate and track movement of commercial containers that arrive in the theater; monitor unnecessary detention charges; and initiate a search that will identify ownership of each container found during the audit.

Management Comments. The U.S. Forces Korea concurred and stated that it had initiated a complete review and update of U.S. Forces Korea Regulation 55-355, "Korea Traffic Management." Also, in coordination with Military Traffic Management Command, U.S. Forces Korea will conduct an analysis of the commercial container tracking process to define its responsibilities and minimize DoD detention charges.

Further, subsequent searches have identified commercial containers at other locations in the Republic of Korea and those containers will be returned to the rightful owner with settlement of any outstanding detention. The Military Traffic Management Command concurred and stated it will work with the U.S. Forces Korea in tracking commercial containers. A discussion of the management comments is in the Finding section of the report, and the complete text is in the Management Comments section.

Audit Response. The U.S. Forces Korea comments are fully responsive. We commend U.S. Forces Korea and Military Traffic Management Command for their prompt and comprehensive actions and their cooperation to resolve the tracking of commercial containers.

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Background

The Deputy Under Secretary of Defense (Supply Chain Integration) expressed concern about whether the supply and distribution system was effective in delivering cargo to customers overseas. This audit discusses the coordinating and tracking of commercial containers in the Republic of Korea (the theater). See the Glossary at Appendix B for definitions of terms.

Containers. Containers have been the predominant mode for international surface shipments since the early 1960s. DoD has been a leader in the use of container systems that are used for moving international freight in support of U.S. forces. DoD policy directs that U.S. forces rely on container resources and services furnished by the commercial transportation industry, insofar as such support is responsive to military requirements and is cost effective in the overall transportation system. Containers are the preferred mode of transportation by DoD for all items when available, feasible, economical, and operationally acceptable. The primary objective for containers is to provide a full container load for a single consignee or multiple consignees on the same base. Direct container shipments to a consignee minimize loss, damage, and pilferage to the cargo; reduce in-transit times; and improve the visibility and accountability of cargo in the Defense Transportation System.

Container Agreement. The majority of containerized military cargo shipped to the theater moves under the provisions of the Military Traffic Management Command (MTMC) Oceanliner Contract. That contract provides rates, terms, and conditions for services required for movement of containerized cargo from origin to destination. The contract also authorizes a carrier to provide drayage or line-haul service for movement of containers from the carrier's terminal to the location where the container is discharged to the consignee. The carrier shall also provide the MTMC organization responsible for each port where cargo is delivered with information such as date, time, and mode of commencement of drayage or line-haul from the discharge port to inland destination; the cargo identification number; and consignee identification.

Detention Charges. Detention charges are paid to the carrier when the carrier's container is returned on a date that is beyond the allowable free time. The total amount of free time allowed for each container is 7 calendar days. Time commences at the carrier's terminal after the container has been discharged from the vessel, cleared for drayage or line-haul delivery by the local government (including customs), and the administrative contracting officer has been notified that the container is ready for drayage or line-haul services. Time ceases on the day the carrier is notified that the container is released for pickup or when the container is returned to the carrier, whichever occurs first. When the return of a container to the carrier is delayed by the Government beyond the allowable free time, the carrier may assess detention charges. However, each DoD Component is held accountable for operation and management decisions to incur, or not to incur, detention charges.

MTMC Responsibilities. MTMC is the single agency manager for DoD traffic. MTMC is responsible for contracting for carrier services on the movement and documentation of surface container and breakbulk cargo from

U.S. ports of origin to overseas ports of destination. The 837th Transportation Battalion, a subordinate unit of MTMC, is the port manager for DoD-owned and DoD-leased containers that arrive in the theater. The 837th Transportation Battalion is responsible for coordinating the reception and staging of DoD cargo that arrives by surface transportation at any of the theater seaports. Containers arrive in the theater through the Port of Pusan and are staged at the container yards of the respective carriers. The 837th Transportation Battalion is responsible for coordinating port activities, clearing containers received for customs processing, and releasing the containers to the 25th Transportation Battalion Movement Control Teams (MCTs) for movement to consignees.

U.S. Forces Korea Responsibilities. U.S. Forces Korea (USFK) has overall responsibility to provide for control and management of containers for shipment from the Port of Pusan through receipt by the consignees and release to carriers. Specifically, this responsibility falls under the 19th Theater Support Command. The 25th Transportation Battalion, a subordinate unit of the 19th Theater Support Command, functions as the USFK common-user land transportation manager within the theater for Component Services. The 25th Transportation Battalion uses MCTs to coordinate and track movement of commercial containers with the 837th Transportation Battalion and consignees. MCTs are responsible for contacting consignees about containers that are available for shipment from the Port of Pusan as well as determining a required delivery date for the consignee. In addition, the MCTs coordinate drayage and line-haul transportation with the 837th Transportation Battalion. The 837th Transportation Battalion notifies carriers for delivery to the consignees.

Consignees are required to report delivery times, offloading times, and empty container pickup times to the MCT. Further, the MCT is responsible for contacting the 837th Transportation Battalion for pickup of empty containers. The 837th Transportation Battalion notifies carriers that empty containers at the consignees are ready for pickup. The shipping cycle is complete when consignees receipt for containers, offload contents, and release empty containers back to the carrier.

Objective

The overall audit objective was to assess the effectiveness of the DoD distribution and transportation system in supporting the DoD strategic goal of reducing logistics response time, as it relates to customers located outside the continental United States. The specific objective for this portion of the review was to assess movement of commercial containers in the theater. See Appendix A for discussion of the audit scope and methodology, review of the management control program, and prior coverage.

Coordinating and Tracking Container Movement

USFK did not adequately coordinate and track the movement of commercial containers in the theater. That condition occurred because the 25th Transportation Battalion did not implement the USFK requirements or a system for coordinating and tracking movement of containers in the theater. Instead, the 25th Transportation Battalion relied on the 837th Transportation Battalion to perform those duties, even though the 837th Transportation Battalion was not responsible for performing the duties. As a result, adequate controls did not exist to prevent DoD from incurring about \$742,000 in unnecessary detention charges for containers during a recent 2-year period.

USFK Requirements

Requirements for coordinating and tracking commercial containers in Korea are discussed in USFK Regulation 55-355, "Korea Traffic Management," June 3, 1992.

Regulation Requirements. The USFK Regulation 55-355 states that the 25th Transportation Battalion is designated as the single agency responsible for providing commercial line-haul transportation service. The 25th Transportation Battalion is required to coordinate inland transportation for cargo transiting water ports, manage detention of containers, and provide container management information to the 837th Transportation Battalion to ensure an accurate record of container movements and services are provided. Also, the 25th Transportation Battalion is required to maintain records on DoD-sponsored containers for inland movements and provide an audit trail for the 837th Transportation Battalion in the certification of detention and service charges within the theater.

Coordinating and Tracking Procedures. The consignees, the MCTs, and the 837th Transportation Battalion are responsible for keeping accurate records that show the date and time containers are scheduled to be received, actually received, reported available for pickup, and actually picked up. The 837th Transportation Battalion is required to notify the 25th Transportation Battalion MCTs of containers that are available for delivery. Once notified, the MCTs coordinate container movement with the consignee by providing the scheduled container delivery date and requesting confirmation or rescheduling of the delivery date. The consignee then notifies the supporting MCT of the date and time of arrival of the container. After initiating the off-loading of the container, the consignee is required to notify the supporting MCT of the date and time the container will be empty and available for pickup. The MCT then informs the 837th Transportation Battalion that the container is available for pickup.

Implementation of Regulation

USFK did not adequately coordinate and track the movement of commercial containers in the theater because the 25th Transportation Battalion did not implement the USFK guidance or a system for coordinating and tracking movement of containers in the theater. Instead, the 25th Transportation Battalion relied on the 837th Transportation Battalion to perform those duties.

USFK Requirements. The 25th Transportation Battalion did not implement USFK requirements for coordinating and tracking movement of containers in the theater. USFK Regulation 55-355 requires the MCTs to coordinate the arrival of containers with the 837th Transportation Battalion and consignees and to track movement of the containers. Consignees were required to notify the MCTs when the containers were empty and available for pickup. However, MCT activity at the water port consisted of arranging for transportation with commercial carriers and inspecting carrier vehicles for movement of breakbulk cargo but not containers. We reviewed USFK Regulation 55-355 and found that overall, the procedures outlined in the regulation appeared adequate, if implemented, for management of containers in the theater.

Army Movement Management System-Redesign. The Army Movement Management System-Redesign system was the primary tool for container management and is cited in the USFK regulation. The 25th Transportation Battalion did not require the MCTs to use the system to coordinate arrival of containers with the 837th Transportation Battalion and consignees or to track the movement of the containers. However, the Army Movement Management System-Redesign is now a legacy system that will be replaced by the Transportation Coordinators-Automated Information for Movement System II, which is not yet available for use. In addition, the consignees did not notify the MCTs when containers were empty and available for pickup. Furthermore, the MCTs that supported the 837th Transportation Battalion were also not using the system for monitoring the free-time allowed for delivering and unloading containers and notifying the carrier when the container was empty.

Reliance on 837th Transportation Battalion. The 25th Transportation Battalion relied on the 837th Transportation Battalion to perform the duties of coordinating and tracking commercial containers in the theater. The 837th Transportation Battalion performed that effort for about 23 percent of the containers, even though the 837th Transportation Battalion was not responsible for performing the tasking under the USFK regulation.

The 837th Transportation Battalion efforts included coordinating with consignees on container arrival, receipt, and pickup as well as contacting the carriers for container pickup. In addition, the 837th Transportation Battalion had a system in place that tracked the date the containers arrived at the terminal, the date the consignee requested delivery of the container, the date the container was delivered to the consignee, and the date that the consignee stated the container was empty. However, for the 1,945 containers that arrived at the water port during November and December 2000, records were maintained by the 837th Transportation Battalion for only 457 (23 percent).

Detention Charges

DoD incurred about \$742,000 in unnecessary commercial container detention charges for a 2-year period ending December 2000. The detention charges stemmed from commercial carriers billing DoD through the 837th Transportation Battalion for containers throughout the theater that were not returned within the 7-day free time.

USFK Detention Charges. DoD Components and Defense agencies in the theater for which detention charges applied included the Army, Navy, Air Force, Army and Air Force Exchange Service, and Defense Commissary Agency. Of the \$742,000 in detention charges incurred by USFK, about \$652,000 applied to Army components. Those charges applied to numerous commercial containers delivered within the theater. We did not attempt to evaluate the status of those containers at all USFK locations. We did evaluate the status of containers delivered to the 702nd Main Support Battalion, located at Camp Casey, Korea, from March through July 2000. To illustrate problems with coordinating and tracking container movement, the status of the 23 containers delivered to the 702nd Main Support Battalion is described below.

Commercial Containers at the 702nd Maintenance Support Battalion. The 837th Transportation Battalion records showed that 23 commercial containers were delivered to the Army consignee—the 702nd Main Support Battalion, A Company—from March through July 2000. The 23 containers had accumulated detention charges totaling about \$69,000 as of September 30, 2000. We identified that 9 of the 23 containers for which the 25th Transportation Battalion and consignee could not account were still incurring detention charges. When we discussed the location of the containers with the 702nd Main Support Battalion during October 2000, personnel stated that they were unaware of any containers in their possession and of the ongoing detention charges on the containers. The nine containers had accumulated 1,437 days of detention charges as of September 30, 2000.

USFK Actions. At our request in October 2000, USFK initiated an effort to locate the nine containers, shown on the 837th Transportation Battalion records, that were in the possession of the 702nd Main Support Battalion. We determined that as of December 30, 2000, all nine containers were reported empty and returned to the carrier. However, an additional 432 days of detention charges were incurred. Detention charges incurred from March through December 2000 for the 23 containers totaled about \$82,000, of which about \$62,000 was incurred for the 9 outstanding containers.

The table provides a summary of the accumulated and total detention days and charges that were incurred at the 702nd Main Support Battalion for the nine outstanding containers as of December 30, 2000.

| Detention Charges at the 702nd Main Support Battalion, A Company, Camp Casey, Korea | | | | | | |
|--|-----------------------------|---|---------------------------------|--|---|---|
| <u>Container No.</u> | <u>Detention Start Date</u> | <u>No. of Days Containers were in Detention as of 9/30/00</u> | <u>Date Container was Empty</u> | <u>Additional Days to Return Container after Audit Visit as of 9/30/00</u> | <u>Total No. of Detention Days as of 12/30/00</u> | <u>Total Detention Charges as of 12/30/00</u> |
| 01810 | 3/24/00 | 191 | 11/01/00 | 32 | 223 | \$ 7,763 |
| 24443 | 3/24/00 | 191 | 11/13/00 | 44 | 235 | 8,183 |
| 38938 | 3/24/00 | 191 | 11/13/00 | 44 | 235 | 8,183 |
| 61493 | 3/24/00 | 191 | 11/13/00 | 44 | 235 | 8,183 |
| 67455 | 3/24/00 | 191 | 11/13/00 | 44 | 235 | 8,183 |
| 05885 | 3/29/00 | 186 | 11/01/00 | 32 | 218 | 7,588 |
| 80588 | 4/12/00 | 176 | 12/05/00 | 62 | 238 | 5,215 |
| 35949 | 8/03/00 | 60 | 12/05/00 | 65 | 125 | 4,333 |
| 89498 | 8/03/00 | 60 | 12/05/00 | 65 | 125 | 4,333 |
| Total | | 1,437 | | 432 | 1,869 | \$61,964 |

We also requested additional data from the 837th Transportation Battalion to review containers listed as outstanding, other than the 23 containers discussed above, and related detention charges for the 3-month period October through December 2000. Our review showed USFK took action to locate all of the outstanding containers and had those outstanding containers released to the carrier. Further, the carriers' detention charges had ceased as of December 30, 2000. We commend USFK for its action to locate and return outstanding containers.

Containers Not Shown on Records. In addition, we physically located five other containers at the 702nd Main Support Battalion, C Company. Personnel at the 702nd Main Support Battalion stated that the five containers were used for storage and had no knowledge of the length of time the containers had been in their possession. The five containers were not shown on 837th Transportation Battalion records.

Commercial Warehouse for Inbound Cargo. To reduce potential detention charges, the 837th Transportation Battalion negotiated a contract for commercial warehouse space for storage of cargo. The contract was established to reduce potential detention charges that could occur for inbound cargo for which return of the container was delayed. A commercial warehouse company will remove cargo from the container and place the cargo in storage areas identified to the intended consignee. A commercial warehouse company will also palletize and wrap the cargo for safe transport, move it to a shipping dock, and load it onto a vehicle. The initial cost for this service is \$140 per container for the first

30 days. We believe that this initiative by the 837th Transportation Battalion has merit in reducing potential detention charges.

Conclusion

The 25th Transportation Battalion did not implement the USFK requirements or a system for coordinating and tracking movement of containers in the theater. As a result, adequate controls did not exist to prevent DoD from incurring about \$742,000 in unnecessary detention charges for containers and unless promptly resolved will not preclude further detention charges in the future. Nevertheless, USFK needs to implement its regulation for coordinating and tracking commercial containers to preclude incurring detention charges in the future.

Recommendations, Management Comments, and Audit Response

We recommend that the Commander, U.S. Forces Korea:

- 1. Direct the implementation of procedures for coordinating and tracking commercial containers and coordinate container arrival, receipt, and pickup efforts with the Military Traffic Management Command.**
- 2. Direct the implementation of a container management system to coordinate and track movement of the commercial containers that arrive in the theater and to monitor for unnecessary detention charges.**

Management Comments. USFK concurred with Recommendations 1. and 2., stating that it had initiated a complete review and update of USFK Regulation 55-355, "Korea Traffic Management." USFK further stated, in coordination with MTMC, USFK will conduct an analysis of the commercial container tracking process to clearly define its responsibilities and minimize DoD detention charges.

MTMC concurred with Recommendation 1., stating that it will work with USFK in tracking of commercial containers.

- 3. Initiate a search that will identify ownership of the five containers at the 702nd Main Support Battalion, C Company, Camp Casey. Return the containers to the proper owner and reach a settlement on any outstanding detention charges.**

Management Comments. The USFK concurred with the recommendation stating that the five containers were no longer present at the 702nd Maintenance Support Battalion, but that subsequent searches have identified commercial containers at other locations. USFK further stated that the containers found will be returned to the rightful owners and that any outstanding detention charges will be settled in a timely manner.

Audit Response. Although USFK was unable to locate containers at the 702nd Main Support Battalion, USFK comments were responsive to the intent of the recommendation.

We commend USFK and MTMC for their prompt and comprehensive actions and their cooperation to resolve the tracking of commercial containers.

Appendix A. Audit Process

Scope and Methodology

Work Performed. We reviewed the DoD, USFK, and MTMC regulations concerning policies, responsibilities, and procedures for coordinating and tracking commercial containers in the theater. We performed audit work at the 25th Transportation Battalion and the 837th Transportation Battalion. Our effort, for this segment of the overall audit, concentrated on coordinating and tracking commercial containers shipped to consignees within the theater from the Port of Pusan. We examined 837th Transportation Battalion records for coordinating and tracking the movement of containers in the theater and their schedules of billed detention charges for calendar years 1999 and 2000.

DoD-Wide Corporate-Level Government Performance and Results Act Coverage. In response to the Government Performance Results Act, the Secretary of Defense annually establishes DoD-wide corporate level goals, subordinate performance goals, and performance measures. This report pertains to achievement of the following goal, subordinate performance goal, and performance measures.

FY 2001 DoD Corporate-Level Goal 2: Prepare now for an uncertain future by pursuing a focused modernization effort that maintains U.S. qualitative superiority in key warfighting capabilities. Transform the force by exploiting the Revolution in Military Affairs, and reengineer the Department to achieve a 21st century infrastructure. **(01-DoD-02).**

FY 2001 Subordinate Performance Goal 2.3: Streamline the DoD Infrastructure by redesigning the Department's support structure and pursuing business practice reforms. **(01-DoD-2.3).**

FY 2001 Performance Measure 2.3.4: Logistics Response Time. **(01-DoD-2.3.4)**

DoD Functional Area Reform Goals. Most major DoD functional areas have also established performance improvement reform objectives and goals. This report pertains to achievement of the following objectives and goals in the Logistics Functional Area:

Objective: Reduce logistics cycle times.

Goal: Implement Total Asset Visibility. **(LOG-1.2)**

Audit Type, Dates, and Standards. We performed this economy and efficiency audit from April 2000 through March 2001, in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. We did not use computer-processed data to perform this audit. We did our work in accordance with generally accepted Government auditing standards except that we were unable to

obtain an opinion on our system of quality control. The most recent external quality control review was withdrawn on March 15, 2001, and we will undergo a new review.

Contacts During the Audit. We visited or contacted individuals and organizations within DoD. Further details are available on request.

Management Control Program Review

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

Adequacy of Management Controls. The conditions identified in this report are attributed to the lack of management controls over the commercial containers program in the theater. The recommendations in the finding for the Commander in Chief, USFK, to implement USFK Regulation 55-355 and to implement container management procedures will correct the conditions cited in the report and help ensure that unnecessary detention charges will not continue to occur.

We identified material management control weaknesses for the 25th Transportation Battalion as defined by DoD Directive 5010.40. The 25th Transportation Battalion management controls for coordinating and tracking commercial container movement were not adequate because the Battalion did not implement USFK requirements or the Army standard system for coordinating and tracking movement of containers in the theater. A copy of the report will be provided to senior officials responsible management controls within the Army.

Adequacy of Management's Self-Evaluation. No assessment was made of the 25th Transportation Battalion's coordinating and tracking of commercial containers as an assessable unit. Therefore, we cannot reach a conclusion on management's self-evaluation of this area.

Prior Coverage

Unrestricted Inspector General, DoD, reports can be accessed over the Internet at <http://www.dodig.osd.mil/audits/reports>.

Inspector General, DoD, Report No. 99-195, "Contract Actions for Leased Equipment," June 30, 1999

Appendix B. Glossary

Breakbulk Cargo - Loose, noncontainerized cargo.

Carrier - An individual, corporation, or public utility engaged in the business of transporting goods by air, inland movement, rail, road, sea, or by a combination of such modes.

Consignee - A person or organization to whom commodities are shipped.

Container - A truck trailer body that can be detached from the chassis for loading onto a rail car or vessel or stacked in a container depot. A container can measure 20 to 53 feet in length, 8 feet inches in width, and 8 to 9 feet in height.

Drayage - The movement of a container between a carrier's terminal at the port where the container is loaded or off-loaded from the vessel, and another place within the commercial zone or modified zone of that U.S. port city, or within a 10-mile radius of the city limits of that foreign port city, by means other than the carrier's principal vessels.

Intermodal Container System - A type of international freight system that permits movement of cargo containers interchangeably among air, highway, rail, and sea modes of transportation through use of American National Standards Institute/International Organization for Standardization containers, handling equipment, and line-haul assets.

Line-haul - The movement of a container between a carrier's terminal at the port where the container is loaded or off-loaded from the vessel, and another place outside the commercial zone or modified zone of that U.S. port city, or beyond a 10-mile radius of the city limits of that foreign port city, by means other than the carrier's principal vessels.

Appendix C. Report Distribution

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U.S. Forces Korea Comments



HEADQUARTERS, UNITED STATES FORCES, KOREA
UNIT #15237
APO AP 96205-0010

REPLY TO
ATTENTION OF:

FKCS-IR (36-2b)

MEMORANDUM FOR Inspector General, Department of Defense, 400 Army Navy
Drive, Arlington, VA 22202-2884 *11 June 01*

SUBJECT: Draft Report on the Department of Defense Inspector General (DoDIG)
Audit of Coordinating and Tracking of Commercial Containers in Korea (Project No.
D2000LH-0131)

1. Enclosed is the command reply to the subject draft report. Command concurs with the reported facts, observations, conclusions and recommendations contained in the draft report. Additional comments on the technical aspects of the draft report were provided directly to the audit staff.
2. POC is Mr. Kanik, DSN (315) 723-3740.

Encl
as


C.V. CHRISTANSON
BG, USA
Assistant Chief of Staff, J4

USFK COMMAND REPLY

DRAFT DODIG REPORT,
COORDINATING AND TRACKING OF COMMERCIAL CONTAINERS IN KOREA

Recommendation 1: Direct the implementation of procedures for coordinating and tracking commercial containers and coordinate container arrival, receipt, and pickup efforts with the Military Traffic Management Command.

USFK Comments: Concur. USFK has initiated a complete review and update of USFK Regulation 55-355, Korea Traffic Management. As part of the review and update, USFK subordinate components, in coordination with MTMC, will conduct detailed mission analysis of the commercial container tracking process and incorporate necessary changes to the process into the regulation. The intent is to establish an effective process that clearly defines responsibilities, has long-term application, and will minimize detention charges. The target date for completion and implementation of the revision of USFK Regulation 55-355 is 4th Quarter, FY 01. In the interim, to facilitate effective container tracking and eliminate accrual of detention charges, USFK has implemented container-tracking procedures as prescribed in the current edition of USFK Regulation 55-355. These procedures will provide sufficient visibility of commercial containers from time of arrival, throughout the delivery/receipt process and subsequent return to the carrier.

Recommendation 2: Direct the implementation of a container management system to coordinate and track movement of the commercial containers that arrive in the theater and to monitor for unnecessary detention charges.

USFK Comments: Concur. Previous comments apply.

Recommendation 3: Initiate a search that will identify ownership of the five containers at the 702nd Main Support Battalion, C Company, Camp Casey. Return the containers to the proper owner and reach a settlement on any outstanding detention charges.

USFK Comments: Concur. However, the report doesn't specify the five containers by serial number or size. The containers are no longer at C/702d MSB as referenced in the report and thus difficult to pinpoint. Subsequent searches have identified commercial containers at other locations in Area I. USFK will verify serial numbers with the 837th Transportation Battalion and ultimately return all known undocumented commercial containers to their owner(s) and settle any outstanding detention charges in a timely manner.



DEPARTMENT OF THE ARMY
HEADQUARTERS, MILITARY TRAFFIC MANAGEMENT COMMAND
200 STOVALL STREET HOFFMAN BUILDING II
ALEXANDRIA VA 22332-5000



MTIR (36-2b)

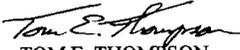
5 JUN 2001

MEMORANDUM FOR DIRECTOR, READINESS AND LOGISTICS SUPPORT
DIRECTORATE, OFFICE OF THE DEPARTMENT OF
DEFENSE (DoD) INSPECTOR GENERAL

SUBJECT: Audit Report on Coordinating and Tracking of Commercial Containers in Korea
(Project No. D2000lh-0131)

The Military Traffic Management Command agrees with the recommendation in the report. Our 837th Transportation Battalion will work with the United States Forces, Korea in their tracking of commercial containers.

FOR THE COMMANDER


TOM E. THOMPSON
Colonel, GS
Chief of Staff

Audit Team Members

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

Shelton R. Young
Raymond D. Kidd
Robert M. Murrell
Keith A. Yancey
Celia J. Harrigan
Scott S. Cygan
Sharon R. Lindsey