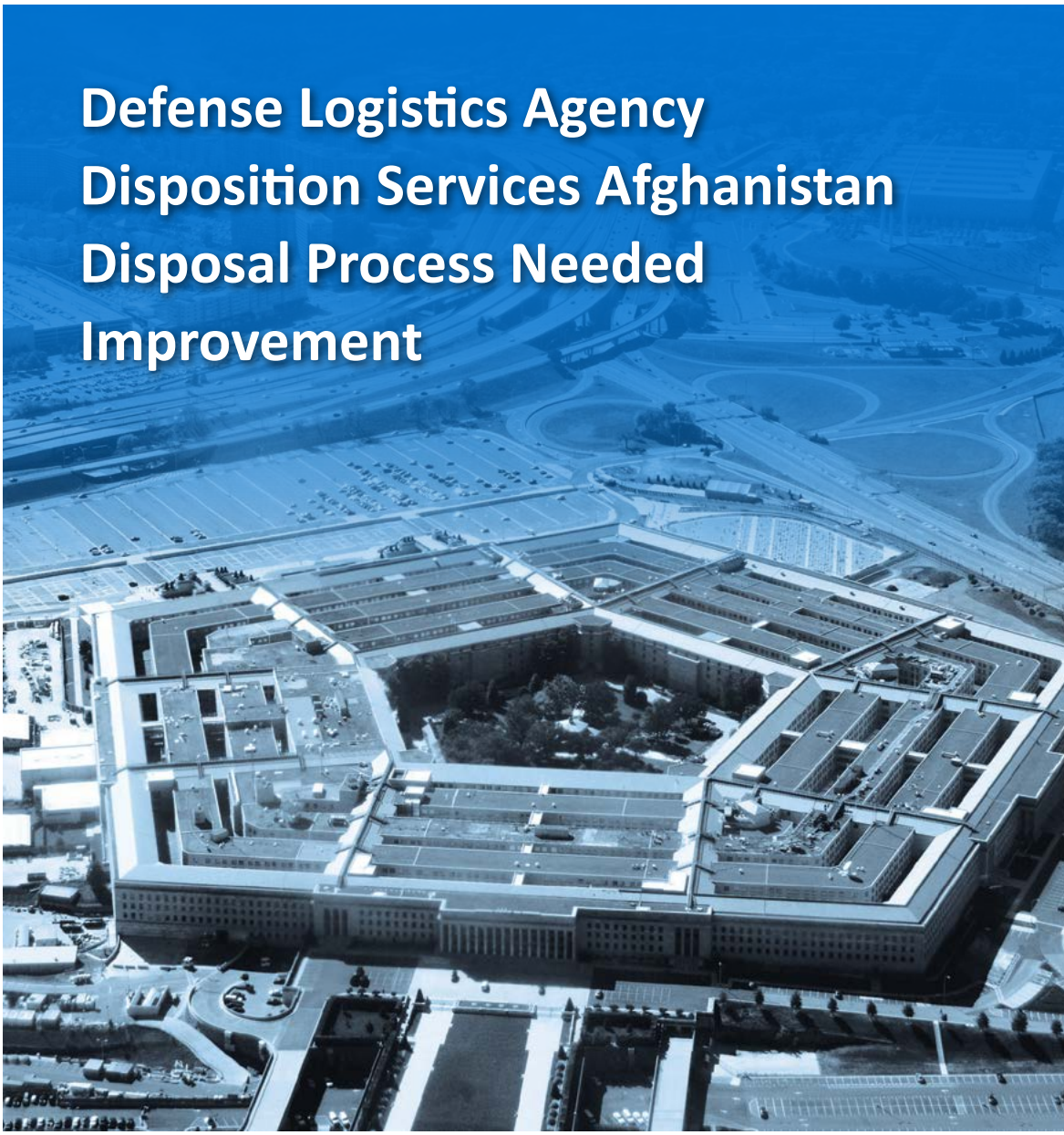
Report No. DODIG-2014-007

Inspector General

U.S. Department of Defense

NOVEMBER 8, 2013

Defense Logistics Agency Disposition Services Afghanistan Disposal Process Needed Improvement



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Results in Brief

Results in Brief: Defense Logistics Agency Disposition Services Afghanistan Disposal Process Needed Improvement

November 8, 2013

Objective

We determined whether Defense Logistics Agency (DLA) Disposition Services (DS) was properly disposing of equipment during the drawdown in Afghanistan. We determined whether adequate controls existed over the receipt, inspection, coding, and disposal of equipment.

Finding

DLA DS did not have adequate controls over disposal of excess equipment. DLA DS did not:

- have accountability over and correctly code excess equipment. This occurred because DLA DS officials did not adequately train personnel.
- certify and verify demilitarization of excess equipment in accordance with guidance and accurately account for and bill scrapped equipment sold. This occurred because DLA DS Afghanistan officials did not adequately monitor the certification and scrap accounting processes.
- have adequate access and security controls. This occurred because DLA DS officials did not develop local standard operating procedures.
- include the export-controlled items clause in the Afghanistan labor contract. This was an oversight on the part of DLA DS officials.

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Finding Continued

In addition, these conditions occurred because DLA DS officials did not assign an appropriate number of personnel responsible for oversight within Afghanistan.

As a result, DLA DS had an increased risk of fraud, theft, improper release of sensitive excess equipment, and transfer of sensitive equipment technology. In addition, DLA DS did not receive optimal monetary return for scrapped equipment sold.

Recommendations

We communicated preliminary observations to management throughout the audit, and management was proactive in correcting the deficiencies we identified. DLA DS eliminated backlogs, identified and corrected system problems, provided additional system training, corrected coding errors, added personnel to key positions, addressed scale issues, submitted debit memorandums to bill scrap contractors, properly secured the facilities, increased visitor access controls, developed local standard operating procedures, modified the labor contract, increased trained personnel with oversight responsibilities, and added contracting officer representative training to the pre-deployment requirements. These actions are commendable and address the conditions identified during the audit; therefore, no additional actions are required.

Management Comments

We considered management comments on a discussion draft of this report in preparing the final and revised the report as appropriate. No official response was required, and none was received. Therefore, we are issuing this report in final form.

See the recommendations table on the following page.

Recommendations Table

Management	Recommendations Requiring Comment
Director, Defense Logistics Agency Disposition Services	None

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November 8, 2013

MEMORANDUM FOR DIRECTOR, DEFENSE LOGISTICS AGENCY
DISPOSITION SERVICES

SUBJECT: Defense Logistics Agency Disposition Services Afghanistan Disposal Process Needed Improvement (Report No. DODIG-2014-007)

We are providing this report for your information and use. Defense Logistics Agency Disposition Services officials did not have adequate controls over disposal of excess equipment in Afghanistan. As a result, Defense Logistics Agency Disposition Services increased its risk of fraud, theft, and improper release of sensitive excess equipment in Afghanistan. In addition, Defense Logistics Agency Disposition Services did not receive optimum monetary return for scrapped equipment sold.

However, during the course of our audit, we brought these concerns to the attention of Defense Logistics Agency Disposition Services officials, who promptly took steps to resolve each problem. Therefore, we have no recommendations in this report. We considered management comments on a discussion draft of this report in preparing the final and revised the report as appropriate. No official response to this report was required, and none was received.

Should you have comments on the report, please send a PDF file containing the comments to audrco@dodig.mil. Copies of your comments must have the actual signature of the authorizing official for your organization. We cannot accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-8901 (DSN 664-8901).

Daniel R. Blair
Deputy Inspector General
for Auditing

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Introduction

Objectives

We determined whether Defense Logistics Agency (DLA) Disposition Services (DS) was properly disposing of equipment during the drawdown in Afghanistan. Specifically, we determined whether adequate controls existed over the receipt, inspection, coding, and disposal of equipment. See the appendix for discussion of the scope and methodology.

Although our specific audit objective focused on controls over the receipt, inspection, coding, and disposal of equipment, we determined during the planning phase of the audit that those areas interrelate, and the best approach would be to audit controls over the entire disposal process. As a result, the conditions identified relate to controls over the DLA DS Afghanistan disposal process, which includes receipt, inspection, coding, and disposal of equipment.

Background

DLA DS is the DoD activity responsible for the disposal of foreign excess personal property (FEPP), scrap, and hazardous waste, and for demilitarizing required property generated by DoD activities. Disposal of this property by entities other than DLA requires approval of the combatant commander and concurrence from DLA. Disposal programs include reuse, transfer, donation, and sale. Property no longer needed by the DoD is sold to the public if it is appropriate and safe for sale.

DLA DS Afghanistan

DLA DS, Afghanistan, serves as a key staging area for reuse of usable property and the destruction and removal of unusable equipment. In addition, DLA DS sites in Afghanistan aid in clearing up clutter and keeping U.S. waste to a minimum, which reduces cleanup problems when U.S. forces depart Afghanistan. There are four full-service contingency DLA DS sites in Afghanistan, all accepting DoD property. They are located in Bagram Airfield (BAF), Kandahar Airfield (KAF), Camp Leatherneck, and Camp John Pratt. The DLA DS Afghanistan sites have a significant role in the U.S. drawdown from Afghanistan, and property processed through DLA DS facilities has increased significantly. For example, during October 2012, DLA DS BAF and KAF processed 2,178 usable inventory items; in comparison, during March 2013, the two sites processed 9,097 usable inventory items. Figure 1 shows property staged at DLA DS BAF before disposal.

Figure 1. Property Staged at DLA DS Bagram

DLA DS Afghanistan Disposition Process

One of the most critical and important stages in the flow of property through the disposition process is the initial receipt of property at DLA DS. In this stage, it is determined whether an item is serviceable. In addition, DLA DS verifies that the items have all the required forms and certifications and are environmentally compliant before accepting them to the DLA DS site for storage during the disposal process.

Disposal service representatives implement service-delivery methods developed by DLA DS that assist the customer (the generating activity/military unit) by making disposal decisions regarding property at the customer's location, sending property directly to its ultimate location whenever possible, and reducing the number of times it has to be handled. Inspection of the property is performed to verify condition, quantity, demilitarization (DEMIL) code, and national stock number.

The inspection of property decides the course for further processing. The generating activity is expected to obtain the correct DEMIL code from the Inventory Control Point and enter that code on the Disposal Turn-In Document[1] (DTID).

Disposal is the final stage before the property leaves DoD's control. Property disposal means redistributing, transferring, donating, selling, demilitarizing, destroying, or other "end of life cycle" activities. In some cases, the act of demilitarization—destroying the item's military offensive and defensive capability—accomplishes the intent of disposal. Once equipment is mutilated or demilitarized, the remaining scrap metals are contracted out and sold to Afghan vendors.

[1] DD Form 1348-1A, "Issue Release/Receipt Document" is a document that must accompany all property turned in for disposition. It includes the document identifier, stock number, unit of issue, quantity of items, document number, disposal authority, DEMIL code, supply condition code, and unit price.

Disposition Guidance

According to DoD 4160.21-M, "Defense Materiel Disposition Manual," August 18, 1997, DLA is responsible for administering the Defense Materiel Disposition Program worldwide. DLA is to establish and disestablish disposal organizations under its control and, when these actions will affect disposal provided to Military Services or other DoD components, coordinate with those organizations. DoD 4160.21-M provides guidance on the disposition processes for DoD personal property. Defense Reutilization and Marketing Service Instruction (DRMS-I) 4160.14, "Operating Instructions for Disposition Management," May 12, 2008, as amended January 2013, implements that guidance and provides procedures for receiving, inspecting, processing, and disposing excess equipment.

Recent Initiatives Impacting DLA DS Afghanistan

DLA DS has transitioned from the legacy Defense Reutilization and Marketing Service Automated Information System to the Reutilization Business Integration[2] (RBI) solution. The implementation of RBI in Afghanistan occurred in April 2013. RBI incorporates DLA DS' business processes into the existing DLA enterprise suite. Each of the following RBI system partners will be responsible for specific DLA DS functions:

- Enterprise Business Systems—receipt, issue, inventory management, sales contracts, and financials
- Distribution Standard System—pre-receipt, receipt inventory management, ultimate disposal base operating support system, and destruction
- RBI Web—compliance, reutilization, transfer, and donation
- DLA Transaction Services—data translation and routing
- DLA Document Services—document management
- Defense Logistics Management System—data exchange standards, forms, and procedures
- Federal Logistics Information System—item identification and maintenance

[2] RBI is the solution that includes the systems identified and the Distribution Standard System is the primary system used by DLA DS for accounting and inventory management; however, for purposes of discussion in the report, RBI is the term used to discuss all solution/system issues.

The FY 2013 DLA DS annual statement of assurance stated that RBI deployment has temporarily impaired some automated controls and the ability to perform some control testing. In addition, data availability and visibility during RBI deployment has limited the ability to monitor some controls.

DLA DS also recently transitioned to a zero-screening policy within Afghanistan. The DLA, Director, Logistics Operations issued a memorandum on April 30, 2013, to eliminate reutilization screening of serviceable FEPP, Afghanistan-wide, to improve disposition processing time without impairing disposition options. DLA will also continue to work with Secretary of Defense, U.S. Forces-Afghanistan and State Department offices to discuss the potential for sales of serviceable FEPP within Afghanistan. If DLA obtains authorization to sell serviceable FEPP in-country, DLA will attempt to do so; serviceable FEPP that is not reused or sold will be mutilated and sold as scrap.

Review of Internal Controls

DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses for the DLA DS field activities in Afghanistan related to the disposal of excess equipment. However, management took corrective actions to address the identified issues during the course of the audit. Therefore the internal control weaknesses were corrected.

Finding

Improvements Over Disposition Controls Were Needed During the Afghanistan Drawdown

DLA DS in Afghanistan did not have adequate controls over disposal of excess equipment. Specifically, DLA DS officials did not:

- **have accountability over $7.5 million of $8.5 million in excess equipment or correctly code all excess equipment requiring demilitarization.** This occurred because DLA DS officials did not appropriately train personnel during RBI implementation to effectively perform daily operations.
- **certify and verify demilitarization of excess equipment for 28 of 93 DTIDs, valued at $1.6 million, in accordance with applicable guidance, nor accurately account for and bill scrapped equipment sold on 5 of 30 days.** This occurred because DLA DS Afghanistan officials did not adequately monitor the certification and scrap accounting processes to identify control weaknesses or implement effective measures to correct control weaknesses related to those processes.
- **implement access and security controls to adequately safeguard equipment.** This occurred because DLA DS officials did not develop local standard operating procedures for staff rotating into Afghanistan to follow.
- **include the export-controlled items clause in the DLA DS Afghanistan labor contract.** This occurred because the clause was inadvertently omitted by DLA DS officials.

In addition, these conditions occurred because DLA DS officials did not complete an assessment to determine the appropriate number of personnel responsible for oversight within Afghanistan and assign staff accordingly to provide adequate oversight.

DLA DS's lack of controls and oversight during the drawdown period increased the risk of fraud, theft, improper release of sensitive[3] excess equipment in Afghanistan without proper disposal, and transfer of sensitive equipment technology. In addition, DLA DS did not receive approximately $13,900 for scrapped equipment sold.

[3] Sensitive items are defined as property requiring a high degree of protection and control due to statutory or regulatory requirements.

Accountability and Coding Problems

DLA DS Afghanistan did not adequately account for excess equipment and properly code the excess equipment to be demilitarized in accordance with DoD guidance.

Accountability Over Excess Equipment Was Not Sufficient

Although 31 DTIDs with 3,393 inventory items were accounted for correctly, DLA DS officials did not appropriately account for 62 of 93 DTIDs tested. According to DoD 4160.21-M, accounting records must be maintained so that an item of property can be traced from receipt to final disposition. The 62 DTIDs consisted of 1,750 inventory items with an acquisition value of $7.5 million. See Table 1 for full results of testing.

Table 1. DTIDs Tested With Accountability Concerns

	Kandahar Airfield	Bagram Airfield	Total
Inability to Physically Locate DTID (Equipment)	29	6	**35**
Location of DTID Different From Location Recorded in Accountability Record (RBI)	18	0	**18**
Failure to Enter DTID Into Accountability Record (RBI)	2	3	**5**
Inaccuracy of DTID Quantity or Status in Accountability Record	0	4	**4**
Total Accountability Problems	**49**	**13**	**62**

We were unable to locate equipment for 29 of 58 DTIDs tested at DLA DS KAF. Management stated these items were demilitarized; however, RBI indicated they were still on site, and DLA DS KAF had not completed or was not able to provide DEMIL certifications for 28 of the 29 DTIDs at the time of the inventory inspection. In addition, equipment associated with 18 of 58 DTIDs was located in a different place from what was recorded in RBI, and 2 of 58 DTIDs were not entered into the accountability records at all. According to DLA DS KAF personnel, the conversion from the old system of record, the Defense Reutilization and Marketing Service Automated Information System, to RBI and inability to properly use RBI created input backlogs and mismatches of recorded inventory locations to actual locations of inventory stored on the yard.

Of the 35 DTIDs tested at DLA DS BAF, 13 items were not located or properly accounted for in RBI. Specifically, we were unable to locate equipment associated with six DTIDs. DLA DS personnel indicated the equipment had been demilitarized

and scrapped; however, the items remained in the inventory records, and DLA DS BAF had not completed demilitarization certifications. According to DLA DS BAF personnel, they were unable to remove DTIDs from inventory due to a problem during the conversion from the old system to RBI. Three of the DTIDs had not been entered into the inventory records. These items were on the yard and in DLA DS BAF possession; however, they were not entered into RBI. Figure 2 shows an example of equipment on the yard that was not entered into RBI. In addition, DLA DS BAF did not accurately account for equipment for four of the DTIDs. Two of the DTIDs, according to the inventory records, should have been disposed of or no longer on the yard; however, they were on site. For the other two DTIDs, DLA DS BAF personnel did not input the accurate quantity of equipment associated with the DTIDs in the inventory records. For example, 1 DTID quantity was overstated by 18 items, and the other was understated by 5 items.

Figure 2. Compressors Not Recorded in the Property Records

In addition, DLA DS personnel at both KAF and BAF did not process excess equipment in a timely manner. According to DRMS-I 4160.14, DLA DS will maintain an accurate inventory by processing all property into the accountable record within 5 workdays from date of physical custody. However, DLA DS personnel did not input 26 of 93 DTIDs tested within the required 5 days. It took DLA DS between 6 to 21 days to input the 26 DTIDs into the inventory records. According to DLA DS Afghanistan personnel, implementation of RBI created a backlog of information that required input into the system. In addition, we were unable to verify the length of time it took DLA DS to input 15 of 93 DTIDs into inventory records, because DLA DS personnel did not document on the DTID the actual date they received possession of the equipment or they did not maintain the DTID.

As a result, DLA DS Afghanistan lacked visibility over equipment processed through or maintained on its facilities. This increases the risk of theft, fraud, and improper disposal of equipment.

Excess Equipment Was Not Coded Correctly

DLA DS officials did not correctly enter the generating activity provided codes for excess equipment requiring demilitarization. To mitigate the risk of property falling into the hands of our adversaries, DoD manages and controls DoD personal property through various means, including assignment of DEMIL codes for appropriate destruction. DLA DS is the DoD activity responsible for the disposal of DEMIL required property generated by DoD activities.

We identified two instances in which DLA DS Afghanistan personnel processed sensitive equipment requiring demilitarization as non-DEMIL-required within RBI. DLA DS personnel originally processed two DTIDs totaling 15 portable radios as not requiring demilitarization (DEMIL code A). However, in both instances, the portable radios required demilitarization (DEMIL code D). DEMIL code D requires DLA DS to destroy items and components to prevent restoration or repair to a usable condition. According to the DLA DS KAF site chief, this occurred because RBI assigned the equipment a local stock number that pre-populated the DEMIL code field as "A" and because personnel were not aware of the ability within the RBI to change DEMIL codes. If DLA DS does not validate that equipment is properly coded in RBI, there is an increased risk that sensitive excess equipment may be released in Afghanistan without proper disposal.

Improvements Needed Over Accounting and Coding of Excess Equipment

Accountability and coding problems occurred because DLA DS officials did not adequately train personnel deployed in Afghanistan during RBI implementation to effectively use RBI for performing daily operations. The RBI training course provided during continental-U.S. implementation was a 2-week course. However, only 12 hours of RBI training were provided during implementation in Afghanistan. In addition, DLA DS Afghanistan personnel at KAF and BAF stated that critical aspects of RBI were not thoroughly covered during the training course in Afghanistan. DLA DS Afghanistan personnel indicated that during system implementation the amount of training provided was not adequate for them to properly learn to use RBI. These training issues during RBI implementation caused control weaknesses, such as inaccurate or incomplete accounting for inventory within the RBI system and lack of asset visibility.

The RBI training course provided during continental United States implementation was a 2-week course. However, only 12 hours of RBI training were provided during implementation in Afghanistan.

Management Actions Taken to Improve Equipment Accountability and Coding of Excess Equipment

We informed DLA DS officials of our observations while on site, and they corrected the accountability and coding issues we identified. Specifically, DLA DS KAF officials provided on-the-job training on entering DTID data into RBI and developed standard operating procedures for DLA DS personnel responsible for excess equipment input; DLA DS KAF personnel eliminated input backlogs by working additional hours and adding additional personnel; DLA DS KAF officials immediately corrected coding of the 15 portable radios within RBI and properly demilitarized the radios; and DLA DS BAF initiated helpdesk trouble tickets to resolve the problems of demilitarized equipment they were not able to remove from RBI inventory. In addition, DLA DS Afghanistan personnel have continued to work with the RBI implementation team and helpdesk personnel to correct conditions caused by reoccurring system-training issues. For example, DLA DS identified and corrected the issue of aligning equipment as assigned within RBI to the actual location the equipment is stored. This required providing additional training and guidance to individuals responsible for staging the equipment. In addition, personnel who have rotated into positions responsible for these duties had the full 80 hours of RBI training. These actions address the concerns we identified; therefore, no additional actions are required.

DLA DS KAF officials immediately corrected coding of the 15 portable radios within the system and properly demilitarized the radios.

DLA DS Did Not Adequately Monitor the Demilitarization Certification and Accounting for Scrap Equipment Processes

DLA DS officials did not certify and verify demilitarization of excess equipment for 28 of 93 items, valued at $1.6 million, in accordance with applicable guidance. In addition, DLA DS had errors on 5 of 30 days in accounting for and billing scrap sold.

Demilitarization Certifications Were Not Always Compliant

DLA DS officials did not certify and verify demilitarization of excess equipment in accordance with applicable guidance. According to DRMS-I 4160.14, the individual responsible for certifying demilitarization will certify quantity, perform demilitarization, and sign certification, and the individual responsible for

verification will witness or inspect residue from demilitarization performance and countersign the certification. DRMS-I 4160.14 also states that certification must be accomplished within 48 hours of demilitarization completion. However, DLA DS personnel in Afghanistan did not perform demilitarization certification functions in accordance with applicable guidance for 28 of 93 sample items tested (238 pieces of excess equipment), valued at $1.6 million.

For example, two vehicular frames valued at $275,222, could not be located during the physical inspection at KAF on May 2, 2013. DLA DS personnel stated the items had already been demilitarized; however, the certification was not completed until May 24, 2013, and was signed by an individual who was not in Afghanistan at the time of the physical inspection. In another case, we could not locate three ballistic blankets; DLA DS personnel again stated the items had been demilitarized as of our physical inspection on May 2, 2013. However, the certification was not completed until May 6, 2013. DLA DS KAF was responsible for 24 of the 28 noncompliant certifications, and 3 of the 4 from BAF resulted from DTIDs that became stuck in the system after converting from the old system. According to DLA DS KAF personnel, the certifications were not available due to the backlog created during system conversion and the need for additional demilitarization personnel. As a result, DLA DS Afghanistan could not ensure equipment was demilitarized appropriately, which increases the risk of releasing equipment into Afghanistan without proper demilitarization.

Accounting and Billing of Scrapped Equipment Was Not Accurate

DLA DS officials did not accurately account for and bill scrapped equipment sold. According to DoD 4160.21-M, DLA DS is responsible for obtaining optimum monetary return to the Government for all property sold. However, DLA DS field activities in Afghanistan made errors in recording amounts that were subsequently billed for scrapped equipment sold on 5 of 30 days reviewed, resulting in an understatement of $13,900 of proceeds owed to DLA DS. In addition, scales for recording scrap weight were not fully operational at both KAF and BAF. According to DRMS-I 4160.14, disposition of scrap for sale must be weighed for accurate accounting and reconciliation purposes. However, DLA DS officials did not have adequate controls to verify accurate weights were recorded for scrap trucks entering or exiting the facility.

Process for Billing and Accounting for Scrapped Equipment Sold

DLA DS determines the cost of scrap sold by its weight and the dollar price per unit within the term sales contract for each scrap contractor in Afghanistan. When scrap trucks enter the facility, the drivers have to enter a weighing area, where their trucks are weighed (without scrap) by the scale operator. Each scrap truck is also weighed (after being loaded with scrap) before leaving the premises. The difference between the initial and post weight amounts of scrap trucks are calculated and recorded on a weight log.

The property disposal specialist collects the weight logs and manually calculates the total, which is then transferred to DLA DS Form 1367, Shipment Receipt/Delivery Pass Form, as the weight of the scrap released to the scrap contractor for the day. The daily total weight of scrap sold is then manually entered to the monthly scrap sales spreadsheet, which is sent to DLA DS headquarters in Battle Creek, Michigan. Before RBI implementation, the DLA DS scrap contracting officer at headquarters would then invoice the contractor monthly for the amount of scrap sold for the month. After RBI implementation, the system generates a bill based on scrap amounts removed from the system. According to the DLA Screening Requirements Memorandum, FEPP will no longer undergo the reutilization screening process. Due to this memorandum, DLA DS Afghanistan will now mutilate and sell all equipment as scrap, unless reuse is requested by a military unit at the O-6 level or higher. Therefore, the only monetary return to the DoD for property disposed of through DLA DS Afghanistan will be through the sale of scrapped equipment. Figure 3 shows equipment received for disposal as scrap.

Figure 3. Equipment Received for Scrap Disposition

Deficiencies Identified in Kandahar Billing and Accountability of Scrap Sales

DLA DS did not appropriately bill for scrap sold to the contractor, Afghan Innovations Solutions (AIS), for 3 of 15 days tested. Specifically, for January 2, 2013, DLA DS did not bill AIS for $4,552 worth of scrap sold. This was a result of an erroneous formula in the monthly scrap sales spreadsheet used to convert scrap weight pounds to kilograms for billing purposes. Also, for January 18, 2013, DLA DS did not include $6,972 for scrap sold on January's invoice to AIS. This was due to the omission of scrap sold for January 18, 2013, on the monthly scrap sales spreadsheet. For the month of March, an erroneous input of weight on the monthly scrap sales spreadsheet for March 4, 2013, resulted in DLA DS under billing AIS for $3,168 worth of scrap sold. Overall, DLA DS did not bill AIS for $14,692 worth of scrap sold.

In addition, the truck scale computer at KAF did not record scale amounts and print weight tickets that supported the amount sold and billed. According to the DLA DS Afghanistan area manager, he was not aware the scale system was nonoperational until our audit; however, he confirmed the weight tickets were not being recorded nor printed, due to a malfunctioning computer system. As a secondary solution, DLA DS KAF assigned a third-country national contractor to manually enter the weights on the scrap weight log. We observed the scale operator manually writing the weights of the incoming and outgoing contractor scrap trucks. The scale operator entered the weight of unloaded and loaded trucks on a weight log; however, there were no secondary verifications by DLA DS personnel to ensure the correct weight was recorded. As a result, amounts recorded were not auditable and were subject to one individual's manual entries.

> According to the DLA DS Afghanistan Area Manager, he was not aware the scale system was non-operational until our audit; however, he confirmed that the weight tickets were not being recorded by the computer system…

Bagram Billing and Accountability Errors for Scrap Sales

DLA DS did not appropriately bill for scrap sold to the contractor, Omran Samim Construction Company, for 2 of 15 days tested. On February 18, 2013, the total dollar amount of scrap sold was understated by $39 due to an erroneous calculation. On March 28, 2013, because a weight ticket was added twice in the manual recording of the scrap sales for the day, the total dollar amount of scrap sold to Omran Samim Construction Company was overstated by $831. As a result, DLA DS overbilled Omran Samim Construction Company by $792. Although these amounts were minor, they

demonstrate the need for additional oversight over the manual processes used to account for scrapped equipment sold.

In addition, the truck scale in BAF was inoperable, and BAF officials had been relying on estimates to record scrap weight since early April 2013. DLA DS BAF processed an average of 8.1 million pounds (lb) of scrap per month from January 2013 through March 2013, and based on the wide variance of weights recorded for scrap trucks when the scale was operational, estimates do not provide a reliable method for accurately recording scrap. For example, March 2013 records indicate one scrap truck had weight ranges from 16,180 lb to 1,810 lb, and another had weight ranges from 22,210 lb to 3,750 lb.

As a result, there is very limited assurance of the accuracy of scrap amounts exiting the yard, which increases the risk that DoD will not receive the appropriate amount of proceeds for the scrap sold.

Increased Awareness and Controls Needed for Demilitarization Certification and Scrap Accounting Processes

Demilitarization certification and scrap accounting problems occurred because DLA DS Afghanistan officials did not adequately monitor operations to identify control weaknesses or appropriately address known weaknesses. The delays in certifying demilitarized equipment and correcting scale problems, along with identification of accounting errors, could have been eliminated or minimized with additional management action.

Management Actions to Improve the DEMIL Certification and Accounting for Scrap Equipment Processes

We informed DLA DS officials of our observations while on site, and they corrected the problems with demilitarization certifications and accounting of scrapped equipment sold. To correct the demilitarization certification problems, DLA DS KAF added additional personnel in critical demilitarization positions to reduce backlog and made changes to the certification process to provide greater assurance that the certifications will occur in accordance with guidance. DLA DS BAF submitted helpdesk tickets asking to release demilitarized equipment stuck in RBI inventory so that DLA DS BAF could process the equipment properly and finalize certification. To correct problems with accounting and billing for scrapped equipment, DLA DS procured and delivered portable scales within Afghanistan, including BAF. The agency also submitted an order and received approval for a fixed (floating) scale to be procured and installed at BAF. To provide greater assurance that the appropriate scrap sold amounts

are recorded, DLA DS field sites are now using RBI to electronically track sales inputs, removals, tracking, and billing in replacement of their manual process. The process also now requires the verification and signature of a DLA representative (a U.S citizen) as a secondary review to ensure the appropriate amounts are recorded before the release of equipment or property. In addition, DLA DS submitted debit memorandums to run against the September billing statements to AIS at KAF and Omran Samim Construction Company at BAF to correct billing disparities we identified. Additional actions are discussed in the oversight section of the report. (See Actions Taken to Address Lack of Oversight.) We commend DLA DS for its actions to correct these concerns, and no further actions are required.

Access and Security Controls Were Not Adequate

DLA DS officials in Afghanistan did not have adequate access and security controls. Specifically, DLA DS officials did not:

- adequately secure the facilities,
- appropriately escort visitors and scrap-truck drivers,
- change combination locks to entry and exit points, or
- limit access to the pilferable storage area to required personnel.

Facilities Were Not Secured

DLA DS Afghanistan officials did not adequately secure disposition facilities. In March 2013, DLA DS KAF expanded its demilitarization area to accommodate the increase in excess equipment associated with the drawdown in Afghanistan. According to the DLA Physical Security Manual, December 2, 2011, steel outriggers will be installed with their overhangs facing outward, each having three strands of barbed wire, at intervals along the top of the fence line. In addition, the DLA Physical Security Manual also stated that when walls and other structural barriers are used, they will be constructed and arranged to provide uniform protection equivalent to that provided by the chain-link fencing. However, physical observations showed that the newly constructed demilitarization area did not maintain the same physical security features as the previous portions of the DLA DS facility. The demilitarization area was segregated and secured by single shipping containers approximately 8 to 9 feet tall (Figure 4). The shipping containers were not stacked to prevent physical access. Without proper physical security features, there is an increased risk of unauthorized access and DLA DS cannot ensure DEMIL required assets are properly secured.

Figure 4. Demilitarization Area, KAF; Single Containers in Background

In addition, DLA DS BAF had an opening to an area of the yard under development for DLA DS BAF to extend its facility for storage containers. On several occasions, we observed that the opening was unmonitored. DLA DS BAF management indicated the area under development was blocked at the entrance by double-stacked containers that were removed each morning to allow contractors in to work on the container lot. However, we observed that the area was not occupied when the double-stacked containers had been removed. The opportunities for unauthorized individuals to enter the yard undetected are significantly increased when an open entrance is unsecured and unmonitored.

Controls Over Visitor Access

DLA DS officials did not appropriately escort scrap-truck drivers. DRMS-I 4160.14 states that all visitors must be escorted at all times. However, during testing, we observed local national scrap-truck drivers walking the DLA DS facilities unescorted. For example, On May 9, 2013, we observed a local national scrap-truck driver walking the DLA DS KAF yard unescorted. DLA DS officials stated that the KAF contractor Relyant is responsible for escorting scrap-truck drivers. In addition, on June 15, 2013, we observed multiple local national scrap-truck drivers walking the DLA DS BAF yard unescorted. DLA DS officials stated that the DLA DS loader operator was monitoring the scrap-truck drivers; however, we did not observe any additional DLA DS employees monitoring the scrap-truck drivers and reliance for monitoring visitors should not be placed on an individual responsible for loading the trucks. The ability to enter or move within a yard or building unchallenged and uncontrolled constitutes a serious breach of security, resulting in an increased risk to personnel and personal property, resources, and information.

We observed local national scrap-truck drivers walking the DLA DS facilities unescorted.

Changing Combination Locks

DLA DS officials did not adequately change combination locks to entry and exit points. According to DRMS-I 4160.14, DLA DS will change combinations at least annually, when compromise is known or suspected, or when a person knowing the combination no longer requires that knowledge. However, DLA DS officials in Afghanistan did not know when the combinations to entry and exit gates were last changed; management indicated KAF combinations were changed in March 2013, but they did not have documentation of any combination changes. As a result, DLA DS cannot ensure excess equipment and facilities are appropriately safeguarded.

Inappropriate Access to Pilferable Storage

DLA DS officials did not limit access to the pilferable/sensitive storage area to required personnel. DoD Instruction 2040.02, "International Transfer of Technology, Articles and Services," July 10, 2008, states that DoD Components will ensure that appropriate internal controls within DoD facilities are established and maintained to prevent unauthorized access by foreign nationals to unclassified and classified export-control information and technologies. However, during a physical inspection at DLA DS KAF we observed a third-country national contractor with key access to the pilferable/sensitive equipment storage facility. Further review determined that keys for the pilferable/sensitive equipment storage facility were accessible to 13 third-country nationals assigned to the labor contract at KAF. Third-country nationals with unsupervised access to pilferable/sensitive equipment storage facilities have the potential to obtain export-controlled items and technology that could have a negative effect on our military operations.

Standard Procedures Will Improve Access and Security Controls

Access and security issues identified occurred because DLA DS officials did not develop local standard operating procedures. The DLA Security Manual states local procedures should be established to deter unauthorized personnel from entering an installation and to protect installation resources. It further states that local procedures for all restricted areas will prescribe in writing security measures for inspections of items moving in and out of the area; opening and closing of the door; trash removal; restrictions on briefcases, purses, lunch boxes, etc.; searches; and visitor control.

DRMS-I 4160.14 states that the DLA DS field activity will develop local standard operating procedures for entry and movement operations to include processes,

procedures, and/or checklists outlining visitor control and identification protocols. DLA DS officials had not developed local access and security procedures for rotating employees to follow and DLA DS Afghanistan employees were not aware of local access and security procedures related to the deficiencies identified.

Management Actions Taken to Improve Controls Over Access and Security

We informed DLA DS Afghanistan officials of our observations while on site, and they corrected access and security issues identified during the audit. Specifically, DLA DS KAF officials properly secured their demilitarization area by double-stacking shipping containers to deter physical access, required DLA DS personnel to monitor scrap-truck drivers in conjunction with base approved escorts while on the DLA DS facility, limited the number of scrap trucks allowed on the facility at one time, and created a separate storage location for pilferable/sensitive storage container keys and limited access to DoD civilian and military personnel. DLA DS BAF officials developed guidelines for scrap contractor escorts, drivers, and laborers and moved the truck driver's waiting area outside the BAF yard to a more controlled location. DLA DS BAF will provide the guidelines to all contractor escorts, drivers, and laborers upon entry to the facility. DLA DS BAF officials also installed a gate to control access to the new container lot and double stacked containers at the entrance from the container lot to the DLA DS facility to further restrict access. In addition, DLA DS Afghanistan officials developed local standard operating procedures that addressed access and security control weaknesses we identified, including facility security, lock controls, visitor access, and pilferable storage. Therefore, no additional actions are required.

Export-Controlled Items Clause Missing From Labor Contract

The DLA DS officials omitted the clause stating that the contractor must comply with all applicable export-control laws and regulations in the DLA DS Afghanistan labor contract, SP4510-13-D-0004, effective May 13, 2013. DoD Instruction 2040.02, states that DoD Components must ensure that all appropriate solicitations and contracts include a clause stating that the contractor is to comply with all applicable export-control laws and regulations in accordance with Defense Federal Acquisition Regulation Supplement (DFARS) Subpart 225.79, "Export Controls," June 2013. DFARS Subpart 225.79, states that it is the contractor's responsibility to comply with all applicable laws and regulations regarding export-controlled items. It also states to use DFARS clause 252.225-7048, "Export-Controlled Items," June 2013,

in all solicitations and contracts. DLA DS in KAF and BAF had 93 third-country nationals assigned to the labor contract and working with export-controlled items on their facilities without the proper export-controlled items clause in the labor contract; therefore, there is an increased risk of knowledge transfer related to export-controlled items and technology that could have a negative effect on our military operations. DLA DS legal counsel stated that the export-controlled item clause is a standard clause that should have been included in the labor contract. DLA DS officials indicated that the clause was inadvertently omitted from the Afghanistan labor contract.

Management Actions Taken to Address Labor Contract

DLA DS officials have performed corrective actions to address the labor contract clause. As a result of suggestions made during the audit, DLA DS officials modified the contract to include the DFARS clause 252.225-7048. Therefore, no additional actions are required.

Increased Oversight Needed for Effective Disposal of Equipment in Afghanistan During the Drawdown

DLA DS officials could have eliminated or reduced the conditions identified over the disposal process within Afghanistan with an appropriate number of personnel assigned to perform oversight and monitor the disposal process. The DLA DS KAF site chief was responsible for providing oversight of 10 DoD civilian personnel, 15 military personnel and the only contracting officer's representative at KAF, who was in turn responsible for 33 contractors assigned to the labor contract at this site. In addition, the DLA DS BAF site chief was responsible for providing oversight for 13 DoD civilian personnel, 5 military personnel, and the only contracting officer's representative at BAF, who was responsible for 66 contractors assigned to the labor contract there. DLA DS Afghanistan needed additional oversight to reduce the risk of fraud, theft, improper release of sensitive excess equipment in Afghanistan without proper disposal, and obtain the optimal return for scrapped equipment sold.

Management Actions Taken to Address Lack of Oversight

DLA DS officials have taken corrective actions to assess the oversight levels within Afghanistan. They increased the number of trained personnel with oversight responsibilities at each of the main sites to two and indicated they would have at least three at each main site by September 22, 2013. In addition, DLA DS officials have implemented a contracting officer's representative training program as part of the pre-deployment curriculum required of all staff prior to deploying to Afghanistan. Therefore, no additional actions are required.

Conclusion

DLA DS in Afghanistan needed additional controls over its disposition processes to provide greater assurance that equipment was accurately accounted for and properly disposed of and that an optimal monetary return for disposed equipment was realized. This occurred because DLA DS Afghanistan did not receive adequate training during the RBI implementation, there were too few personnel providing oversight, and local operating procedures were not developed to provide necessary information to personnel rotating into positions within DLA DS Afghanistan. We briefed DLA DS officials throughout the audit so they could take corrective actions in response to our concerns. DLA DS was proactive throughout the audit in implementing corrective actions based on our suggestions. DLA DS officials made significant improvements to the disposition process by implementing standard operating procedures, correcting errors, providing additional training, implementing additional controls, assigning additional staff to key positions, requesting payment for scrap amounts not previously billed, increasing the number of oversight personnel, and requiring contracting officer's representative training for all DLA DS personnel deploying to Afghanistan. These actions address the conditions identified during the audit and should provide greater assurance that the disposition services operate effectively and efficiently during the drawdown in Afghanistan. Therefore, no recommendations were required.

Appendix

Scope and Methodology

We conducted this performance audit from April 2013 through November 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We coordinated with and interviewed officials from DLA DS headquarters, and DLA DS in Afghanistan. We visited DLA DS KAF and BAF sites from April 2013 through August 2013. We continued to gather data, perform analysis, and review corrective actions through September 2013.

We conducted this audit to determine if the DLA DS Afghanistan was properly disposing of equipment. The Quantitative Methods Division initially developed a stratified sampling plan for selecting the statistical samples, but due to fast turnaround on equipment, it was not possible to determine the size of the universe for statistical sampling. We selected a nonstatistical sample of 40 DTIDs from the RBI universe of inventory as of May 1, 2013, for KAF and a nonstatistical sample of 24 DTIDs from the RBI universe of inventory as of June 13, 2013 for BAF. We also selected 29 DTIDs to conduct floor to book testing (18 from KAF and 11 from BAF). The 93 DTIDs consisted of 5,143 excess equipment items worth $8.5 million. We reviewed all equipment associated with the 93 DTIDs. We also selected a nonstatistical sample of days from January 2013 through March 2013 to test the accuracy of amounts recorded and billed for scrapped equipment sold. We selected 5 days from each month for both KAF and BAF, totaling 30 days tested.

We conducted the review using DoD Manual 4160.21, "Defense Materiel Disposition Manual," August 1997; DRMS-I 4160.14, "Operating Instructions for Disposition Management," May 12, 2008, as amended January 2013; DLA Physical Security Manual, December 2, 2011; DFARS Subpart 225.79, "Export Controls," June 2013; and DoD Instruction 2040.20, "International Transfer of Technology, Articles and Services," July 10, 2008. For all 93 sample items selected, we obtained applicable supporting documentation that included the DTID, generating activity certifications, RBI screen shots, and demilitarization certifications. We reviewed supporting documentation to verify whether the items were processed and supporting documentation was in accordance with DRMS-I 4160.14 and criteria mentioned

above. We performed walk-throughs of the receiving, demilitarization, and scrap processes with DLA DS Afghanistan personnel. In addition, for the 30 days we tested scrapped equipment sold, we obtained records and forms for scrap property sales over three months. We reviewed scrap weight ticket records and compared them to the monthly scrap sales spreadsheets and billing invoices for accuracy and completeness.

Use of Computer-Processed Data

We relied on computer-processed data from the RBI as provided from DLA DS officials. We used data from RBI to determine how items were processed through the computer system, if items were processed timely, and if DLA DS properly accounted for equipment recorded in the system. We relied on the data from RBI to determine the universe of inventory items. We used Webflis (the federal logistics information services, it is the catalog of more than eight million supply items) to verify the national stock number, DEMIL code, controlled inventory item code, and unit price were correctly reflected in RBI. We performed testing within our selected sample items to ensure reliability of data from RBI. As a result, we believe the computer process data were adequate to support the findings and conclusions presented in this report.

Use of Technical Assistance

We obtained support from the DoD Office of Inspector General Quantitative Methods Division in developing a nonstatistical sample for review.

Prior Coverage

During the last 5 years, the Government Accountability Office (GAO), the Department of Defense Inspector General (DoD IG) and the Army Audit Agency (AAA) have issued 9 reports discussing Defense Logistics Agency Disposition Services. Unrestricted GAO reports can be accessed over the Internet at http://www.gao.gov. Unrestricted Army reports can be accessed from .mil and gao.gov domains over the Internet at http://www.aaa.army.mil/.

GAO

GAO-10-376, "Operation Iraqi Freedom, Actions Needed to Facilitate the Efficient Drawdown of U.S. Forces and Equipment from Iraq," April 19, 2010

GAO-10-551T, "Warfighter Support: Continued Actions Needed by DoD to Improve and Institutionalize Contractor Support in Contingency Operations," March 17, 2010

GAO-10-179, "Operation Iraqi Freedom, Preliminary Observations on DoD Planning for the Drawdown of U.S. Forces from Iraq," November 2, 2009

GAO-08-930, "Operation Iraqi Freedom: Actions Needed to Enhance DoD Planning for Reposturing of U.S. Forces from Iraq," September 10, 2008

DoD IG

D-2011-033, "DoD Needs to Improve the Management and Oversight of Operations at the Defense Reutilization and Marketing Office–Camp Arifjan, Kuwait," January 12, 2011

D-2010-060, "Drawdown and Reset of Equipment in Iraq–Operation Clean Sweep," June 11, 2010

D-2010-027, "Army's Management of the Operations and Support Phase of the Acquisition Process for Body Armor," December 8, 2009

D-2008-114, "Accountability for Defense Security Service Assets with Personally Identifiable Information," July 24, 2008

Army

A-2010-0171-ALL, "Disposal of Army Equipment and Material into Defense Reutilization and Marketing Office Sites in Iraq," August 24, 2010

Acronyms and Abbreviations

AIS	Afghan Innovations Solutions
BAF	Bagram Airfield
DEMIL	Demilitarization
DFARS	Defense Federal Acquisition Regulation Supplement
DLA	Defense Logistics Agency
DRMS-I	Defense Reutilization and Marketing Service Instruction
DS	Disposition Services
DTID	Disposal Turn-In Document
FEPP	Foreign Excess Personal Property
KAF	Kandahar Airfield
RBI	Reutilization Business Integration

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