

November 2000

# DEFENSE INVENTORY

## Implementation Plans to Enhance Control Over Shipped Items Can Be Improved



G A O

Accountability \* Integrity \* Reliability



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**United States General Accounting Office**  
**Washington, D.C. 20548**

November 15, 2000

### Congressional Committees

The Department of Defense annually ships inventory with a reported value of billions of dollars to various locations around the world. For years, the Department has had difficulty tracking this inventory from origin to destination. Concerns about the vulnerability of these shipments to fraud, waste, and abuse led the Congress to enact section 349 of the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999 (P.L. 105-261), which required the Department of Defense to develop a comprehensive plan for controlling inventory while it is being shipped. The Under Secretary of Defense for Acquisition and Technology submitted the Department's plan to the Congress on September 14, 1999. The statute also required that our office review the plan and provide to the Congress any comments we considered appropriate. In response to that requirement, we sent you a report on February 22, 2000.<sup>1</sup> In that report we recommended that the Department of Defense improve the plan by modifying it to include (1) key management elements for monitoring implementation and measuring progress and (2) specific actions to address underlying weaknesses in the controls over inventory being shipped.

Section 349 also requires our office to monitor the implementation of the plan and to report within 1 year after the Department submitted its plan to the Congress on the extent to which the plan has been implemented. This report is in response to that requirement.

In response to section 349, the Office of the Secretary of Defense directed the four military services, the Defense Logistics Agency, and the U.S. Transportation Command to develop detailed implementation plans for implementing the 18 corrective actions identified in the Department's September 1999 plan. As of June 30, 2000, all six implementation plans had been drafted and submitted to the Office of the Secretary of Defense for review.

As agreed with your offices, we reviewed the six draft implementation plans to determine (1) the extent to which they addressed the recommendations in our February 22, 2000, report and (2) the status of the

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<sup>1</sup> *Defense Inventory: Plan to Improve Management of Shipped Inventory Should Be Strengthened* (GAO/NSIAD-00-39, Feb. 22, 2000).

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18 proposed actions listed in the Department's plan to improve its control over inventory shipments. We will continue to monitor and report on the development and implementation of these plans.

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## Results in Brief

The six draft implementation plans have significantly improved upon the Department's original plan and contain features that are generally responsive to the recommendations in our February 22, 2000, report. However, these plans are inconsistent in content and specificity and do not reflect a coordinated, Defense-wide approach to correcting the lack of visibility over inventory being shipped. For example, the Navy's plan provides a comprehensive discussion of the planned corrective actions while the Air Force plan states that the Air Force will further study the weaknesses and identify corrective actions at a later date. Because many of these actions will not be completed in the near future, it is not clear whether the Department's proposed actions will effectively address all the deficiencies identified in our February 2000 report. In addition, these draft plans lack detailed performance measures for monitoring progress and determining the effectiveness of the actions after they are implemented. Further, these draft implementation plans do not address how the Department will ensure appropriate coordination among the military services and Defense commands in the implementation of the corrective actions or how the Department will monitor future progress. Lastly, the Office of the Secretary of Defense has begun reviewing these draft implementation plans, but has not established a date for when the plans should be finalized.

The Department's plan submitted to the Congress in September 1999 contained 18 proposed actions to correct the lack of visibility over shipped inventory. Originally, 7 of the 18 proposed actions were to be completed by June 2000, and the remaining 11 proposed actions had no specified completion date or were scheduled to be complete between fiscal year 2001 and 2006. While some progress has been made for the seven actions scheduled to be complete by June 2000, the Department has experienced delays and some milestones have slipped. As of June 2000, the Department had completed only one of these seven actions. The milestones for the remaining 11 actions have also slipped, and some of the revised milestones may slip even more as the implementation continues. For example, one of the primary Defense-wide information systems being developed to better control shipped inventory has been delayed due to funding shortfalls and delays in development.

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We are recommending that the Department of Defense take several actions to improve the quality of the draft implementation plans. In its written comments on a draft of this report, the Department agreed with the underlying message of the report that visibility over items being shipped must be improved. The Department agreed with our recommendation to include coordination procedures in the implementation plans, and generally agreed with the remaining three recommendations. Based on the Department's comments, we modified two of those recommendations to reflect the Department's points that the military services and commands—not the Office of the Secretary of Defense—should finalize the draft implementation plans and measure the effectiveness of corrective actions taken. The Department disagreed with part of one of our recommendations, commenting that it is not feasible for it to develop a Defense-wide plan for monitoring the implementation of the six plans. We disagree and believe that such a Defense-wide plan is feasible and necessary to ensure consistent implementation throughout the Department. Such a plan should contain a formalized management framework outlining how the Department will oversee the completion of the individual plans and monitor their implementation.

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## Background

The Department of Defense's (DOD) inventory includes end items and secondary items. End items are major equipment items such as ships, tanks, and aircraft. Secondary items include spare parts, clothing, medical supplies, and other such items to support DOD operating forces worldwide. Inventory being transported between two locations typically involves the following types of material:

- **Warehoused material:** inventory redistributed between storage activities, items needing repair that are shipped from consolidation points to a commercial or other military repair facility, and inventory returned from a commercial or other military repair facility or an end user.
- **Purchased material:** new inventory shipped from a commercial source to a storage activity.
- **End-user material:** inventory ordered from a storage activity or commercial source by a unit that expects to use it.

Since 1990, our office has considered DOD inventory management a high-risk area because its inventory management systems and procedures are ineffective. The lack of control<sup>2</sup> over inventory shipments and the resulting vulnerability of inventory to undetected loss and theft have been

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major areas of concern. The lack of adequate controls over inventory shipments could substantially increase the risk that millions of dollars will be spent unnecessarily for new procurement. For example, we reported in June 2000 that our analysis of available logistics and accounting records indicated that the Army could not account for about \$900 million in shipped inventory in fiscal year 1998.<sup>3</sup> In March 1999, we reported that the Navy was unable to account for over \$3 billion in inventory shipments during fiscal years 1996 through 1998.<sup>4</sup>

Because DOD had not fully corrected internal control weaknesses regarding shipped inventory, section 349 of the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999 required DOD to submit a comprehensive plan to the Congress addressing how it will ensure visibility over shipments of all end items and secondary items. The statute requires that the plan address (1) the specific mechanisms to be used to enable DOD to identify at any time the quantity and location of all end items and (2) the following three specific concerns regarding the management of secondary items:

- vulnerability of in-transit secondary items to loss through fraud, waste, and abuse;
- loss of oversight of in-transit secondary items, including any loss of oversight when items are being transported by commercial carriers; and
- loss of accountability for in-transit secondary items due to a delay of delivery of the items or a lack of notification of a delivery of items.

We reported in February 2000 that DOD's September 1999 plan lacked some key management elements necessary for achieving effective implementation or for appropriate congressional oversight. Specifically, we reported that the plan lacked detail in defining

- specific actions that include steps for achieving goals needed to address underlying problems in controls over shipped inventories;

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<sup>2</sup> DOD uses the term "visibility" to describe its ability to track the identity, status, and location of items being shipped from one location to another.

<sup>3</sup> *Defense Inventory: Army Needs to Strengthen and Follow Procedures to Control Shipped Items* (GAO/NSIAD-00-109, June 23, 2000).

<sup>4</sup> *Defense Inventory: Navy's Procedures for Controlling In-Transit Items Are Not Being Followed* (GAO/NSIAD-99-61, Mar. 31, 1999).



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- results-oriented objectives that are directly linked to the actions;
  - performance measures that include clearly stated performance targets, information on the use of baseline data, and benchmarks (i.e., interim measures) for monitoring progress;
  - specific schedules that include completion dates and interim milestones for actions that are long term;
  - accountability within DOD and the military services for implementing actions; and
  - resources required, including an estimated annual cost, for implementing each action.

In its comments to that report, the Department stated that it would prepare detailed implementation plans that would include the information we recommended.

As of June 2000, the four military services, the Defense Logistics Agency, and the U.S. Transportation Command had drafted individual implementation plans and submitted them to the Office of the Secretary of Defense for review. The Department, however, has not established a date for finalizing the six plans.

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## Opportunities Exist to Improve the Draft Implementation Plans

In reviewing the six draft implementation plans concurrently with the Office of the Secretary of Defense, we found that they are a significant improvement over DOD's original September 1999 plan and provide more specific actions, objectives, performance measures, and milestones as well as a more complete description of the accountability for implementing the actions and the resources required. However, these plans contain several weaknesses that could limit their effectiveness. Specifically, the six draft implementation plans are not consistent with each other in terms of content and some of the plans are more thorough in defining the specific corrective actions. In addition, the plans do not address how the services and commands will coordinate with each other on implementing Defense-wide initiatives. Further, while performance measures have improved, the plans still lack detailed performance measures for monitoring progress and verifying the effectiveness of the corrective actions. Some of the plans lack specific corrective actions and simply state that the service or command will further study the issues and will identify corrective actions at an unspecified later date. In fact, many of the actions identified in the plans are scheduled for completion several years from now. For example, these plans provide an estimated completion date of fiscal year 2005 for bringing management information systems into

compliance with the Chief Financial Officers Act. Because many of these actions will not be completed in the near future, it is unclear whether DOD's long-term proposed actions will effectively address all the deficiencies identified in our February 2000 report, including the necessary steps to ensure that effective data sharing will take place among DOD's various functional areas and correct the existing errors in systems relied on to manage inventory shipments. Table 1 identifies the extent to which the six implementation plans address each of the key management elements discussed in our February 2000 report.

**Table 1: GAO Analysis of Key Management Elements Included in the Implementation Plans**

<b>Implementation plan</b>	<b>Specific actions included</b>	<b>Results-oriented objectives included</b>	<b>Performance measures included</b>	<b>Schedules and milestones included</b>	<b>Accountability for implementation defined</b>	<b>Resources and annual cost estimates identified</b>
Navy	Yes	Yes	Partially <sup>b</sup>	Yes	Yes	Yes
Army	Yes	Yes	Partially <sup>b</sup>	Yes	Yes	Yes
Marine Corps	Yes	Yes	Partially <sup>b</sup>	Yes	Yes	Yes
Air Force	Partially <sup>a</sup>	Yes	Partially <sup>b</sup>	Yes	Yes	Yes
Defense Logistics Agency	Yes	Yes	Partially <sup>b</sup>	Yes	Yes	Yes
U.S. Transportation Command	Yes	Yes	Partially <sup>b</sup>	Yes	Yes	Yes

<sup>a</sup>Some specific corrective actions are included in the Air Force draft plan. Other corrective actions will be identified at a later date based on the results of a series of ongoing reviews by the Air Force Audit Agency.

<sup>b</sup>Although all six draft plans provide performance measures, these performance measures could be more specific to ensure effective implementation.

Source: GAO analysis.

The sections below provide our observations regarding each of the six draft implementation plans.

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**Navy Draft Implementation  
Plan Lacks Detailed  
Performance Measures**

The Navy's draft implementation plan is the most comprehensive of the six draft plans. Because the Navy has been working to address the deficiencies identified in our March 1999 report,<sup>5</sup> it has had a better awareness of the weaknesses in managing items being shipped and more time to address these weaknesses than the other services, the Defense Logistics Agency, or the U.S. Transportation Command. The Navy's draft plan includes a detailed description of the specific corrective actions to be taken, Navy commands and offices responsible for the actions, milestones for completing the actions, and resources required to implement the actions. However, the Navy's plan lacks detailed performance measures in some cases to identify how improvements will be measured and monitored to verify the effectiveness of the corrective actions. For example, the performance measure for one of the Navy's initiatives to upgrade a system used to track naval aviation support equipment is to attain 100 percent visibility over the assets reflected in the system. This performance measure, however, does not identify how the Navy will measure the level of visibility it has over these items or verify the level of visibility this system provides.

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**Army Draft Implementation  
Plan Lacks Specific  
Performance Measures**

The Army's draft implementation plan contains specific actions for correcting its lack of control over shipped inventory and defines the offices responsible for completing the actions as well as completion milestones. However, the plan lacks specific performance measures to identify how the Army will measure progress or determine whether the actions, after they have been implemented, have corrected the lack of visibility over items being shipped. For example, one planned action in the Army's draft plan is for the Army to adopt the Navy's Commercial Asset Visibility II Program<sup>6</sup> to account for and track shipments of material to and from commercial repair facilities. The performance measure contained in the plan related to this action only identifies the purpose of this system. A more useful, results-oriented performance measure, however, would indicate how the Army would measure the success of this program after the system is available for use at Army facilities. Also, the plan does not identify how the Army will coordinate with the U.S. Transportation Command and the other

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<sup>5</sup> *Defense Inventory: Navy's Procedures for Controlling In-Transit Items Are Not Being Followed* (GAO/NSIAD-99-61, Mar. 31, 1999).

<sup>6</sup> The Commercial Asset Visibility System II was originally developed by the Navy to manage and report the status of repaired material at commercial activities.

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services in the development of a new DOD-wide transportation control system called the Transportation Coordinator Automated Information for Movement System II. The Army is the lead agency on developing this system but is relying heavily on the U.S. Transportation Command for the initial work on standards and specifications. The implementation of this system will require extensive coordination among the services and the U.S. Transportation Command. The Army indicated in its implementation plan that the fielding of this system will be delayed because of funding shortfalls and problems identified during development.

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### **Marine Corps Draft Implementation Plan Lacks Measures for Monitoring Progress**

The Marine Corps' draft implementation plan lacks detail regarding how the Marine Corps intends to monitor the progress and determine the effectiveness of its actions. For example, the Marine Corp plan includes three actions to improve the visibility over end items in shipment. These actions, which the Marine Corps expects to complete by September 2005, relate to the incremental fielding of a new management information system throughout the Marine Corps. The plan, however, does not identify how the Marine Corps will assess the effectiveness of this system or the interim steps the Marine Corps will follow to ensure that the fielding of this system remains on schedule.

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### **Air Force Draft Implementation Plan Lacks Specific Corrective Actions**

While the Air Force draft implementation plan contains a few specific planned actions, the primary action it has instituted is to task the Air Force Audit Agency to conduct a thorough review of its control over shipped inventory at all supply levels throughout the Air Force. Air Force officials said that the Air Force plans to use the results of these reviews to more specifically define the corrective actions needed, milestones for completing these actions, the appropriate performance measures for monitoring progress, and the required resources. According to these officials, until the Air Force Audit Agency completes its reviews, they are unable to define the specific actions needed. Air Force Audit Agency officials stated that they plan to complete their reviews by December 2001. In the interim, the Air Force plans to continue the upgrade and replacement of some of its major inventory information systems and to bring their financial management information systems into full compliance with the Chief Financial Officers Act by September 2003 with quarterly updates to the Air Force Comptroller.

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**Defense Logistics Agency  
Draft Implementation Plan  
Lacks Procedures for  
Measuring Effectiveness**

While the Defense Logistics Agency's draft implementation plan identifies specific actions and milestones, it does not define the performance measures it will use to assess the effectiveness of its corrective actions over time. Because this agency is the Defense-wide command responsible for the distribution and storage of DOD's secondary items, its customers are the military services. As a result, the effectiveness of its actions will depend largely on how well they serve the needs of the services and how well they are implemented by the services. Consequently, the Defense Logistics Agency will need to coordinate closely with the services to determine the effectiveness of its actions. Its plan, however, does not address this coordination process or identify how the agency intends to work with the services to implement its planned actions.

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**U.S. Transportation  
Command Draft  
Implementation Plan Lacks  
Adequate Performance  
Measures**

The U.S. Transportation Command has begun a number of significant initiatives to improve the visibility over inventory while it is in the Defense transportation network, but its draft implementation plan lacks adequate results-oriented performance measures to monitor progress or to assess the effectiveness of the planned actions. For example, one planned action is to complete a direct vendor delivery pilot with a DOD pharmaceutical vendor. The stated performance measure for this action is "successful fielding of the various prototypes as scheduled." This performance measure, however, does not define "successful" or identify how the U.S. Transportation Command will measure the success of this action. In addition, similar to the Defense Logistics Agency's draft implementation plan, the U.S. Transportation Command's plan will require extensive coordination between it and the military services. The U.S. Transportation Command's plan, however, does not include a formalized coordination process. The success of the U.S. Transportation Command's initiatives will depend largely on the services' implementation.

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**Office of the Secretary of  
Defense Has Not Specified  
Procedures for Review and  
Oversight**

Officials in the Office of the Secretary of Defense have not decided how they plan to review the six draft implementation plans or how they intend to use these plans to ensure DOD-wide improvements in the visibility of items being shipped. In commenting on a draft of our February 2000 report, these officials stated in January 2000 that they would develop DOD-wide implementation plans to address our recommendations. Subsequently, however, these officials stated that they intend for the six individual implementation plans to constitute the Department's plan, and do not intend to prepare a DOD-wide implementation plan. DOD has not

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established a date for finalizing the plans. The lack of a uniform, DOD-wide implementation plan could continue the long-standing parochialism among the military services and may hamper the implementation of Defense-wide initiatives due to inconsistent application.

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## **DOD Has Experienced Delays in Implementing Its 18 Proposed Actions**

DOD's September 1999 plan included a total of 18 proposed actions, 8 of which related to the control over end items and the remaining 10 related to control over secondary items. Of these 18 proposed actions, 7 were estimated to be complete by June 2000. While significant progress has been made in implementing these actions, only one of these seven actions had been implemented by June 2000. DOD has experienced delays in implementing the other six actions and has revised the milestone schedules.

The remaining 11 actions had completion dates that extended from fiscal years 2001 through 2006 (without any identification of interim milestones) or were ongoing with no specific completion date identified. DOD officials explained that the original milestones were overly optimistic and that the revised milestones in the six implementation plans are more realistic. A summary of the 18 proposed actions is shown in table 2. The page references in brackets refer to the page numbers in DOD's September 1999 plan where the actions, objectives, and completion dates are discussed.

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**Table 2: Summary of DOD's 18 Actions Proposed in the Plan and Milestones**

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**Actions related to end items:**

1. The Army plans to improve inventory tracking with the development of the Global Combat Supply System (estimated completion date—fourth quarter of fiscal year 2002). [page 2-7]
2. The Army plans to expand the use of advanced identification technology in its transportation systems (estimated completion date—ongoing). [page 2-7]
3. The Army plans to continue improving its Logistics Intelligence File and Logistics Integrated Database (estimated completion date—ongoing). [page 2-7]
4. The Navy will continue to monitor systems that provide end-item visibility (estimated completion date—ongoing). [page 2-7]
5. The Air Force is revising its Combat Ammunition System to maintain visibility of its inventory shipments (estimated completion date—fiscal year 2006). [page 2-8]
6. The Marine Corps plans to continue deployment and enhancement of its Asset Tracking Logistics and Supply System (estimated completion date—fourth quarter of fiscal year 2002). [page 2-8]
7. The Marine Corps plans to develop a messaging application programming interface that facilitates the exchange of data among the inventory shipment systems that provide source data (estimated completion date—fourth quarter of fiscal year 2003). [page 2-8]
8. The Marine Corps plans to field a final Total Asset Visibility capability that includes an enhanced Logistics Bases Inventory Visibility System (estimated completion date—fourth quarter of fiscal year 2004). [page 2-8]

**Actions related to secondary items:**

1. Provide timely and accurate delivery information (near term: estimated completion date—fourth quarter of fiscal year 1999; long term: estimated completion date—ongoing initial module fielding in fiscal year 2001). [page 3-2]
2. Strengthen oversight of shipments directly from commercial suppliers to DOD activities (near term: estimated completion date—fourth quarter of fiscal year 1999; short term: estimated completion date—third quarter of fiscal year 2000). [page 3-2]
3. Examine the adequacy of policy, procedures, and training related to shipment documentation, movement, and delivery, and revise as necessary (estimated completion date—third quarter of fiscal year 2000). [page 3-3]
4. Complete and implement the DOD plan to integrate automatic identification technology into DOD logistics operations (estimated completion date—fourth quarter of fiscal year 2002). [page 3-3]
5. Examine the adequacy of policy, procedures, and training for receipt notification processing and revise as necessary (estimated completion date—third quarter of fiscal year 2000). [page 3-5]
6. Provide for policy and procedures that fully account for unserviceable items that have been received at a commercial repair site (estimated completion date—third quarter of fiscal year 2000). [page 3-5]
7. Implement the recommendations of the Joint Logistics Commanders' Material Management Group task force to revise the DOD Disposal In-Transit Control System and enhance procedures and training (estimated completion date—ongoing; recommendations due by second quarter of fiscal year 2000). [page 3-5]
8. Measure the time to record a receipt and make it visible to all requiring activities, including DOD financial and accounting systems (estimated completion date—fourth quarter of fiscal year 2001). [page 3-6]
9. Bring DOD management information systems associated with shipment control into compliance with the Chief Financial Officers Act (estimated completion date—fiscal year 2005). [page 3-6]
10. Improve current discrepancy reporting and investigating for shipments between DOD and commercial locations (near-term estimated completion dates—third quarter of fiscal year 2000; short-term completion date—first quarter of fiscal year 2001). [page 3-7]

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Source: DOD's in-transit visibility plan.

**Officials in the Office of the Secretary of Defense have assigned responsibility to each service, the Defense Logistics Agency, and the U.S. Transportation Command for implementing the actions in DOD's September 1999 plan. We reviewed the six implementation plans individually to identify the status of each of the seven proposed actions**

originally scheduled to be completed by June 2000. Table 3 shows the revised completion dates identified in the draft implementation plans for the seven proposed actions originally scheduled to be completed by June 2000. These revised completion dates identify the date when all of the services, the Defense Logistics Agency, and the U.S. Transportation Command expect to complete their work related to each action. According to DOD officials, substantial progress has been made in implementing these actions, and some of the services and commands will complete their work prior to the revised completion dates shown in table 3.

**Table 3: Status of Seven Actions Originally Estimated to Be Completed by June 2000**

Action item	DOD's estimated completion date	Revised date of completion
1. Provide timely and accurate delivery information.	September 1999	October 2000
2. Strengthen oversight of shipments directly from commercial to DOD activities.	June 2000	September 2002
3. Examine the adequacy of policy, procedures, and training related to shipment documentation, movement, and delivery.	June 2000	March 2001
5. Examine the adequacy of policy, procedures, and training for receipt notification processing.	June 2000	March 2001
6. Provide for policy and procedures that fully account for unserviceable items received at commercial repair sites.	June 2000	December 2000
7. Implement the Joint Logistics Commanders Material Management Group task force recommendations to revise the DOD Disposal In-Transit Control System and enhance procedures and training.	Recommendations due by March 2000. Implement Task Force recommendations—ongoing.	June 2000 Ongoing
10. Improve current discrepancy reporting and investigating for shipments between DOD and commercial locations.	June 2000	December 2001

Source: GAO analysis.

The details regarding the specific steps initiated by the military services, the Defense Logistics Agency, and the U.S. Transportation Command for implementing DOD's plan to improve the management of shipped inventory for the seven actions originally estimated to be complete by June 2000 are outlined in appendix I. As shown in table 3, DOD has completed only one of these seven actions by June 2000. Specifically, the Joint Logistics Commanders, Material Management Group task force developed its recommendations to revise the DOD Disposal In-Transit Control System and enhance procedures and training by the June 2000 completion date. Implementation of the recommendations is ongoing. The completion dates for the other six actions have been revised to extend beyond June 2000. For



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example, DOD's plan indicated that the U.S. Transportation Command would obtain electronic data interchange messages from 35 carriers by September 1999 for integration with the Global Transportation Network. However, the U.S. Transportation Command's implementation plan shows that only 31 of these carriers will be using electronic data interchange by December 2000.

For the remaining 11 actions, the Department stated in its September 1999 plan that 7 of these actions would be complete in fiscal years 2001 through 2006. The other 4 of these 11 actions are ongoing, with no specific completion date provided. We found, however, that the six implementation plans indicate that these original completion dates will not be met. For example, the Army has encountered delays in developing the Transportation Coordinator Automated Information for Movement System II. This system is intended to provide automation support to warfighters during deployment, sustainment, and redeployment operations, and to provide source data to strategic command and control systems to increase the visibility of in-transit personnel and items during those operations. The Army does not expect to complete the fielding of this system until September 2007. In addition, system fielding could be further delayed because of a reported critical \$22.7 million unfunded software development requirement.

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## Conclusions

The six draft implementation plans prepared by the four military services, the Defense Logistics Agency, and the U.S. Transportation Command are generally responsive to the findings and recommendations in our February 2000 report regarding DOD's plan to improve the visibility over inventory being shipped. These plans, however, do not contain detailed performance measures to ensure effective implementation and do not reflect a coordinated DOD-wide approach. We are aware that the Office of the Secretary of Defense will be reviewing these draft plans and that additional changes and revisions are expected. The success of these plans will depend largely on the extent to which the corrective actions are implemented consistently throughout the Department. We are concerned that the lack of a uniform, DOD-wide implementation plan will continue the long-standing parochialism within the military services regarding their policies and procedures for managing inventory. The Department's strategy to have each service, the Defense Logistics Agency, and the U.S. Transportation Command prepare and implement their own implementation plans without preparing a uniform DOD-wide implementation plan may also lead to

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inadequate oversight and inconsistent application of Defense-wide initiatives.

DOD has experienced delays in implementing the corrective actions outlined in the Department's September 1999 plan. Of the original 18 corrective actions contained in the September 1999 plan, 7 were expected to be completed by June 2000. More recent information from the draft implementation plans, however, indicates that only one of these actions will be completed as scheduled.

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## Recommendations for Executive Action

To achieve DOD-wide improvements in the Department's control over inventory shipments, we recommend that the Secretary of Defense direct the Under Secretary of Defense for Acquisition and Technology to take the following actions:

- Complete the review of the six draft implementation plans prepared by the four services, the Defense Logistics Agency, and the U.S. Transportation Command so that these plans can be finalized.
- Require that these plans (1) contain detailed performance measures to allow the services and commands to assess the effectiveness of the corrective actions and (2) represent a coordinated and uniform DOD-wide approach to correcting the long-standing lack of visibility over inventory being shipped.
- Require that, for those corrective actions that involve more than one service or command, the implementation plans include appropriate coordination procedures, specifically addressing the role of each service or command as it relates to implementing each corrective action.
- Prepare a DOD-wide implementation plan to identify how the Office of the Secretary of Defense will (1) verify consistent implementation of the corrective actions throughout the Department and (2) oversee the implementation of the individual actions proposed by the services, the Defense Logistics Agency, and the U.S. Transportation Command.

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## Agency Comments and Our Evaluation

We received written comments from the Department of Defense, which are reprinted in appendix II. The Department agreed with the underlying message of our report that visibility over items being shipped must be improved. The Department further stated in its comments that it will ensure that the actions in the plans are completed and that DOD components are working together toward a common goal of visibility over

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these assets. DOD agreed with our recommendation that the implementation plans should include appropriate coordination procedures for actions involving more than one service or command. However, DOD did not fully agree with our remaining three recommendations related to the Office of the Secretary of Defense's role in finalizing the plans and monitoring their implementation. Our specific comments regarding DOD's response to these three recommendations are discussed below.

DOD agreed with our recommendation that the Department review the six draft implementation plans, but did not agree that the Department should be responsible for finalizing these plans. DOD believes that this responsibility should rest with the appropriate services and commands. We agree that it would be more appropriate for the services and commands to finalize these plans, and have modified our recommendation accordingly.

DOD agreed with our recommendation that the implementation plans should contain detailed performance measures to ensure successful completion, but did not agree that the Office of the Secretary of Defense should assess the effectiveness of the corrective actions in relation to these measures. DOD stated that the Department will measure the effectiveness of the six implementation plans through the metrics outlined in DOD's Logistics Strategic Plan, but that the development and monitoring of more detailed performance measures in the individual implementation plans should be the responsibility of the appropriate services and commands. We agree that each service and command should be responsible for measuring the effectiveness of the corrective actions in their individual plans and have modified our recommendation accordingly.

DOD agreed with our recommendation that the Department oversee the implementation of the individual corrective actions to ensure consistency, but stated that it is not feasible to prepare a DOD-wide plan to identify how they will monitor the successful implementation of the individual plans. The intent of our recommendation was that DOD develop a more formalized management framework to specifically define how the Department will oversee the completion of the individual plans and monitor their implementation. Therefore, we believe that such a DOD-wide plan is feasible and necessary. This plan should include a formal approach outlining the specific steps, milestones, and measurements DOD will use to ensure that the goal of visibility over items being shipped is achieved and that the services and commands are working together toward this goal.

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## Scope and Methodology

Our analysis of DOD's implementation of its September 1999 plan to improve the visibility over items being shipped was based on the requirements of section 349 of the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999 (P.L. 105-261), information contained in the implementation plans, discussions with DOD officials, and our prior work regarding DOD's control over its inventory shipments. Specifically, to ascertain the extent to which the implementation plans address the requirements in the statute and the recommendations in our February 2000 report, we compared the plans to each of the key requirements set forth in the statute and to the findings and recommendations in our report.

To determine whether the plans contain an appropriate management framework for implementation, we used the requirements of the Government Performance and Results Act, commonly referred to as the Results Act. This act offers a model for developing an effective management framework to improve the likelihood of successfully implementing initiatives and assessing results. Although section 349 did not require that DOD's plan conform to the Results Act, congressional reports and administrative guidance regarding the Results Act indicate that activities such as inventory management should be subject to these results-oriented principles.

To determine the status of the 18 actions DOD identified in its September 1999 plan, we reviewed the six draft implementation plans prepared by the services, the Defense Logistics Agency, and the U.S. Transportation Command. From these draft plans, we identified the dates that the services and commands expect to complete each of the 18 actions.

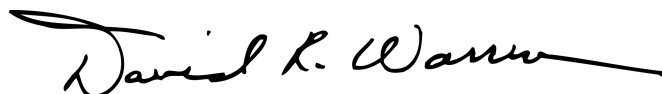
We conducted our review from May 2000 through October 2000 in accordance with generally accepted government auditing standards.

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We are sending copies of this report to the appropriate congressional committees; the Honorable William Cohen, Secretary of Defense; the Honorable Louis Caldera, Secretary of the Army; the Honorable Richard Danzig, Secretary of the Navy; the Honorable F. Whitten Peters, Secretary of the Air Force; General James L. Jones, Commandant of the Marine Corps; Lieutenant General Henry T. Glisson, Director, Defense Logistics Agency; General Charles T. Robertson, Jr., Commander in Chief, U.S. Transportation Command; and the Honorable Jacob Lew, Director, Office of Management and Budget.

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If you or your staff have any questions regarding this report, please contact me at (202) 512-8412. GAO contacts and key contributors to this report were listed in appendix III.

A handwritten signature in black ink that reads "David R. Warren". The signature is written in a cursive style with a long horizontal stroke at the end.

David R. Warren, Director  
Defense Capabilities and Management

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## **List of Congressional Committees**

The Honorable John Warner  
Chairman

The Honorable Carl Levin  
Ranking Minority Member  
Committee on Armed Services  
United States Senate

The Honorable Floyd Spence  
Chairman

The Honorable Ike Skelton  
Ranking Minority Member  
Committee on Armed Services  
House of Representatives

The Honorable Ted Stevens  
Chairman

The Honorable Daniel Inouye  
Ranking Minority Member  
Subcommittee on Defense  
Committee on Appropriations  
United States Senate

The Honorable Jerry Lewis  
Chairman

The Honorable John Murtha  
Ranking Minority Member  
Subcommittee on Defense  
Committee on Appropriations  
House of Representatives

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# Status of DOD's Actions Regarding Secondary Items

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This appendix provides the status of 7 of DOD's 18 proposed actions to address the lack of control over secondary items being shipped (e.g., spare parts, clothing, and medical supplies). These seven actions were scheduled for completion by June 2000.

DOD's actions for secondary items are detailed in its plan by the following problem areas specified in the statute:

- the loss of oversight of secondary items, including any loss of oversight when items are being transported by commercial carriers;
- the loss of accountability for secondary items due to either a delay of delivery of the items or a lack of notification of a delivery of the items; and
- the vulnerability of secondary items to loss through fraud, waste, and abuse.

The action item numbers and page references in brackets correspond to DOD's September 1999 plan where the seven actions and objectives are discussed. Table 2 of this report provides a detailed listing of DOD's 18 proposed actions.

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## Loss of Oversight for Secondary Items

Action 1: Provide timely and accurate delivery information by the following times:

- Near term: obtain carrier electronic data interchange messages. [page 3-2]

Objectives:

- For the near-term action, the goal is for 28 air, motor, and rail carriers and 7 ocean carriers to submit electronic data interchange status messages (estimated completion date—fourth quarter of fiscal year 1999). [page 3-2]

GAO Analysis:

The U.S. Transportation Command is incorporating commercial electronic data interchange information into the Global Transportation Network System to provide the status of DOD material. In return, the system's operator is entering into data exchange agreements with commercial carriers transporting DOD material. Significant progress has been made to



obtain positive receipt confirmation for the 35 carriers scheduled to use Electronic Data Interchange information. Of these, 27 carriers are using Electronic Data Interchange status messages for integration with the Global Transportation Network. The U.S. Transportation Command plans to have four more carriers integrated with the Global Transportation Network by September 2000.

The Army has encountered delays in the development of the Transportation Coordinator Automated Information for Movement System II (TC-AIMS II). This system is intended to provide automation support to warfighters during deployment, sustainment, and redeployment operations, and to provide source data to strategic command and control systems to increase the visibility of in-transit personnel and items during those operations. Authority to begin initial fielding of the unit movement portion of the TC-AIMS II system is scheduled for October 2000. Fielding of the TC-AIMS II system is now expected to be completed by September 2007. A critical \$22.7 million unfunded software requirement exists that could further delay the completion of this project.

Action 2: Strengthen oversight of shipments directly from commercial suppliers to DOD activities by

- developing a vendor in-transit implementation plan that identifies schedules and milestones for fielding in-transit techniques for vendors that perform direct deliveries (estimated completion—fourth quarter of fiscal year 1999) and
- completing the direct vendor delivery pilot with a DOD pharmaceutical vendor to provide the Global Transportation Network information via electronic data interchange (estimated completion—third quarter of fiscal year 2000). [page 3-2]

Objective:

- Ensure visibility of direct shipments from commercial sources to DOD consignees, including items in-transit to and from contractor repair facilities. [page 3-3]

GAO Analysis:

The U.S. Transportation Command performed an initial assessment of size and expected growth of direct vendor delivery shipments in fiscal year 1999. Based on the results of this assessment, vendor in-transit

implementation plans are being developed. However, a comprehensive implementation plan, including schedules and milestones, will not be developed until September 2002 instead of June 2000, as originally scheduled. This delay resulted from the fact that the original assessment highlighted the need to expand the medical prototype efforts to subsistence and repair parts.

Additionally, in October 1998, the U.S. Transportation Command initiated a direct vendor delivery prototype with a pharmaceutical vendor to provide the Global Transportation Network with Electronic Data Interchange information. The operational testing phase of this program was completed in June 2000. The Defense Logistics Agency partnered with the Transportation Command to expand the pharmaceutical pilot to a medical and subsistence prototype and a repair parts prototype. The medical and subsistence prototype is expected to be complete in June 2001, and the repair parts prototype in December 2001.

Action 3: Examine the adequacy of policy, procedures, and training related to shipment documentation, movement, and delivery and revise as necessary (estimated completion date—third quarter of fiscal year 2000).  
[page 3-3]

Objectives:

- Ensure that shippers, carriers, and consignees are in full compliance with policy and procedures related to shipment documentation, movement, and delivery. [page 3-3]
- Ensure timely and accurate information from shippers, carriers, and consignees. [page 3-3]

GAO Analysis:

The U.S. Transportation Command submitted changes addressing roles and responsibilities for 5 of 15 identified joint publications regarding adequacy of policies and procedures, as of March 2000. Also, the U.S. Transportation Command has initiated an action to merge the Military Standard Transportation and Movement Procedures into the Defense Transportation Regulation. They expect to complete this action by September 2000.

The Defense Logistics Agency states that no further action is required because its Defense Distribution Center conducts on-going site visits at the depots, carriers' terminals, and customer sites to ensure policies,

regulations and automated technologies are adequate, as well as to review summary level Supply Discrepancy Report analyses.

The Army has initiated actions to improve compliance with existing policies. In addition, a major review of logistics policy to ensure that logistic policy supports the logistics system modernization efforts is scheduled to be completed by November 2001. In the interim, the Army created a task force in July 2000 to review the Army Material Returns process and policy. In addition, action is under way to provide the Recovery Improvement Program Reporting System as a web-based product to improve compliance with policy by December 2000.

The Air Force Audit Agency plans to complete a series of management advisory services by March 2001 to assess transportation policies and procedures for receiving material, reporting transportation discrepancies, and complying with shipment delivery acknowledgment procedures. The Air Force also plans to evaluate existing training and documentation by March 2001.

In a joint effort, the Navy and the Defense Logistics Agency conducted a baseline process review in February 1999 and identified numerous problem areas and weaknesses in the current system. Instances where policy and procedures were not being followed or clearly understood were documented, and 30-plus action items were assigned. As a result, an In-Transit Process Team was established in October 1999 to reengineer business processes. Also an agreement was made between Navy and the Defense Logistics Agency to meet regularly and monitor progress. This includes efforts to cross train Navy and Defense Logistics Agency personnel on unique processes and procedures.

The Marine Corps believes its current procedures are adequate. However, it plans to deploy the Product Data Reporting and Evaluation Program information system to automate manual procedures by September 2000.

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**Loss of Accountability for**  
**Secondary Items**

Action 5: Examine the adequacy of policy, procedures, and training for receipt notification processing and revise as necessary (estimated completion date—third quarter of fiscal year 2000). [page 3-5]

Objectives:

- Ensure that consignees are in full compliance with receipt acknowledgment policies and procedures. [page 3-5]
- Reconcile system and system interface problems that deter receipt acknowledgment. [page 3-5]
- Ensure proper financial accountability of receipts. [page 3-5]

GAO Analysis:

The U.S. Transportation Command has no direct role in the supply receipt notification process. However, by September 2000 it plans to review the quality of the various Global Transportation Network source data systems, including electronic data interchange, that report transportation delivery information.

The Defense Logistics Agency is currently working through the Defense Logistics Management System Supply Process Review Committee to ensure actual quantity received is reported and that the military service integrated material manager generates a material receipt acknowledgement upon receipt notification. This action was originally estimated to be completed by June 2000. However, according to the latest estimate in the Defense Logistics Agency's plan, this action will not be complete until September 2000.

The Defense Distribution Center conducted an in-depth review of the Defense Logistics Agency receiving process in fiscal year 1999 and found distribution depots are performing proper actions associated with material receipt.

The Army has taken steps toward implementing this action, but did not meet the June 2000 deadline. The Army created a task force in July 2000 to review the Army material returns process and policy. In addition, the Army plans to (1) prepare a system Engineering Change Proposal to implement the DOD standard pseudo receipt process in the Army Retail Systems by September 2000 and (2) provide a web-based Army Recovery Improvement Program Reporting System by December 2000.

The Air Force will not meet DOD's original estimated completion date of June 2000, and it has provided revised milestone dates based on the work being done by the Air Force Audit Agency. The Air Force Audit Agency has been tasked to perform a series of management advisory services to assess

the adequacy of transportation and supply policies and procedures for acknowledging material receipts and the adequacy of existing training and documentation by March 2001. Also, the Air Force is in the process of implementing recommendations resulting from the review of wholesale receipt processing at Defense Logistics Agency distribution depots collocated with Air Logistics Centers. The estimated completion date is to be determined.

The Navy has examined its policies and procedures, but training for the reengineered receipt notification process was not completed by June 2000. The Navy conducted a 1-month joint baseline process review with the Defense Logistics Agency during February and March 1999. Numerous problem areas and weaknesses were identified in the current system. Policy and procedural weaknesses were also identified. Instances where policy and procedures were not being followed or clearly understood were documented and 30-plus action items assigned. As a result, an In-Transit Process Team was formed in August 1999 and detailed business rules were established. In January 2000, a reengineered system design team was formed to develop software to implement the reengineered process. Training and implementation of the reengineered process is scheduled for October 2000.

There is no evidence that the Marine Corps has examined the adequacy of its policy, procedures, and training for receipt notification. The Marine Corps states that its existing policy is to trace lost shipments of material and to take every necessary action to trace a lost shipment. However, the other stated actions in the Marine Corps' plan are not directly related to examining the adequacy of its policy, procedures, and training for receipt notification processing. For example, the Marine Corps is working jointly with Air Force and Navy program managers to analyze the compliance requirements in the Chief Financial Officers Act to be able to show full accountability of logistics actions (receipt, issue, inventory, and disposal) for material. However, bringing management information systems into compliance with the Chief Financial Officers Act is a separate long-term action in the DOD plan. The Marine Corps plan also states it is working on fielding the Commercial Asset Visibility II system; however, this system is meant to track assets moving to and from commercial repair facilities and does not properly address this action.

Action 6: Provide for policy and procedures that fully account for unserviceable items that have been received at a commercial repair site (estimated completion date—third quarter of fiscal year 2000). [page 3-5]

Objective:

- Maintain proper accountability of unserviceable assets shipped to commercial facilities for repair. [page 3-5]

GAO Analysis:

The actions the Army is taking to address this item will not be completed by the scheduled June 2000 date. The Army plans to deploy the Commercial Asset Visibility System II to account for and track shipments of material by September 2000. In its plan, the Army states that the deployment of this system will provide improvements for receipt, issue, induction into the repair process, and inventory control for reparable items being processed. This system will also eliminate a weakness that occurs when commercial repair activities are not required to report receipts or are unable to report in a timely manner. However, it is still unclear how the Army plans to provide policy and procedures to ensure accountability.

The Air Force is currently evaluating approved regulation changes that govern accountability during movement of material to repair activities. The Air Force is working with a Joint Group on Material Management to resolve the visibility and reporting of material repaired under depot maintenance inter-service agreements. Further, the Air Force reported that their commercial repair tracking process is undergoing modernization, which should be completed by December 2001. The modernized system will include subsidiary ledger and system interfaces to appropriately account for in-transit assets repaired at commercial activities and is expected to be compliant with the Chief Financial Officers Act.

The Navy expects to complete its ongoing actions in December 2000. This is 6 months past the scheduled DOD due date. According to the Navy's plan, a program was implemented in October 1999 to enhance shipped material visibility and tracking from commercial activities. Also, an In-transit Process Team has been established to reengineer the inventory management process to improve control of shipped items.

The Marine Corps plan does not outline any specific revisions to its policies and procedures for unserviceable items shipped to commercial repair facilities. In its plan, the Marine Corps' states that it will modify its systems for tracking shipments of unserviceable items to and from the depot. These modifications, however, will not meet the June 2000 deadline stated in DOD's plan. The Marine Corps uses interim programs to track shipments of

unserviceable items to and from commercial depots until a direct link to the Global Transportation Network can be established. Once the Asset Tracking Logistics and Supply System, Version II+, is fielded the Marine Corps expects to have visibility of unserviceable items being shipped. The initial deployment of this system is scheduled for September 2000.

Action 7: Implement the recommendations of the Joint Logistics Commanders' Material Management Group task force to revise the DOD Disposal In-Transit Control System and enhance associated procedures and training (estimated completion—ongoing; recommendations due by second quarter of fiscal year 2000). [page 3-5]

Objectives:

- Ensure visibility of items shipped to disposal. [page 3-5]
- Ensure the proper documentation of shipments of controlled items to disposal. [page 3-5]

GAO Analysis:

The Defense Logistics Agency had the lead responsibility for implementing this action. The recommendations of the Joint Logistics Commander's Material Management Group task force were completed in June 2000, and are currently being implemented through DOD. The Defense Logistics Agency developed a proposed military regulation change to improve procedures to prevent invalid records and identify follow-up transactions. The Defense Logistics Service Center and the Army Logistics Management College also created a new web-site to provide training on the key management information system for excess property moving to disposal. This site is also expected to assist in scheduling training. These actions were completed in June 2000. DLA is planning further actions to modify the validation criteria and review the impact of these changes on disposal shipment transactions.

The U.S. Transportation Command notes that this action does not apply because this command is not directly involved in the disposal process.

The Army has no direct role for this action because it is not the office of primary responsibility. However, it plans to review its policies for compliance with Defense Logistics Agency programmed changes by October 2000.

The Air Force has no direct role for this action because it is not the office of primary responsibility. The Air Force is currently evaluating the need for further training and has concurred with a proposed DOD regulation change. After this change is approved through the Department, the Air Force plans to take action to determine the cost and schedule for developing and fielding related retail software changes.

The Navy's plan states that although this action item is being initiated by the Defense Logistics Agency, it directed its commands in March 2000 to review the procedures for sending material disposal and conduct related training in an effort to improve the Navy's disposal program.

The Marine Corps plan does not address any specific actions for addressing the overall action item because the Defense Logistics Agency has primary responsibility.

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**Vulnerability of Secondary  
Items to Loss Through  
Fraud, Waste, and Abuse**

Action 10: Improve current in-transit discrepancy reporting and investigating for shipments between DOD locations and between commercial and DOD locations. [page 3-7]

- Examine the effectiveness and efficiency of current procedures and systems for discrepancy reporting and make necessary changes. (estimated completion date – third quarter of fiscal year 2000). [page 3-7]

**Objective:**

- Ensure that discrepancies in item, quantity, and location are reported and investigated in accordance with established policies and procedures. [page 3-8]

**GAO Analysis:**

The U.S. Transportation Command established a joint service work group in November 1998 to examine transportation discrepancy reporting processes. This work group conducted a comprehensive review that resulted in 45 recommendations for changes to transportation discrepancy reporting procedures. Of these, seven were completed in fiscal year 1999. An additional 13 actions were under way as of March 2000, and other ongoing actions have expected completion dates through fiscal year 2001. Also, an on-line discrepancy report capability, including a training module,



was implemented in fiscal year 1999. The U.S. Transportation Command expects to complete the enhancements to the discrepancy monitoring program by August 2000.

The Defense Logistics Agency Defense Distribution Center has developed a Research and Processing Guide to assist depots in researching, analyzing, and responding to customer shipment discrepancy reports. The Defense Logistics Agency is implementing several initiatives to improve current discrepancy reporting and investigation.

The Army has an ongoing program with the Defense Logistics Agency to measure all segments of the material-receiving program. Also, the Army plans to improve its reporting by standardizing and extending its Electronic Tracking Program. The Army expects to develop and program resources to support this expansion by October 2000.

The Air Force Audit Agency recently completed a review of its policy and procedures in reporting supply discrepancies. As a result, the Air Force plans to modify its regulations by December 2001 to correct inconsistencies. Also, a training package is being developed for incorporation into supply and transportation entry-level courses for all major commands and retail activities.

The Navy will not meet DOD's estimated June 2000 completion date. According to the Navy's plan, this action will be completed by November 2000. To address this action, the Navy is working jointly with the Defense Logistics Management Support Office to develop interfaces between existing and future supply discrepancy reporting systems. As a result, short-term fixes to existing systems were identified in March and April 1999 to improve automation and visibility. The Navy implemented changes to improve the interface between their in-transit tracking and discrepancy follow-up systems in November 1999. As part of the Navy's reengineered process to be implemented by November 2000, the Navy is developing a web-based Supply Discrepancy Reporting system which will provide users the on-line capability to enter discrepancy data, pass this data to other activities, and return resolution information to the initiator of the supply discrepancy report. The Navy identified, however, that extracting the transportation information has been more difficult than expected, and stated that it may not be possible to effectively generate the percent of transportation discrepancies resolved until further system planning is conducted.

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**Appendix I**  
**Status of DOD's Actions Regarding**  
**Secondary Items**

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According to the Marine Corps' plan, the Marine Corps' Product Data Reporting and Evaluation Program was scheduled for fielding in June 2000. This program is an automated information system designed to automate the manual process of ordering, screening, and investigating discrepancies.

# Comments From the Department of Defense

Note: GAO comment supplementing those in the report text appear at the end of this appendix.



ACQUISITION,  
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OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON  
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OCT 11 2000

Mr. David R. Warren  
Director, Defense Management Issues  
National Security and International  
Affairs Division  
U.S. General Accounting Office  
Washington, D.C. 20548

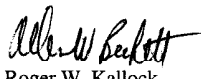
Dear Mr. Warren:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "DEFENSE INVENTORY: Implementation Plans to Improve Control Over Shipped Inventory Can Be Improved." September 6, 2000 (GAO Code 709484/OSD Case 2079). The DoD partially concurs with the draft report.

The DoD agrees that in-transit visibility must be improved. We also agree that individual plans must be completed and that the plans must evolve if new issues arise. The Department will ensure that the actions in these plans are completed and that the DoD Components are working together toward the common goal of visibility of in transit assets. However, the Department does not agree with the GAO proposal that the Office of the Secretary of Defense conduct detailed monitoring and measurement of the individual plans. Such monitoring and measurement should be accomplished at appropriate levels within the DoD components. The 2000 Logistics Strategic Plan highlights the enterprise level metrics needed to ensure success of the plan. The DoD components have their own performance plans based on the Logistics Strategic Plan. Those performance plans require monitoring and completion of performance measures appropriate for that level, and will be used to accomplish the intent of the GAO recommendations.

Detailed comments on the draft report recommendation are included in the enclosure. The DoD appreciates the opportunity to comment on the draft report.

Sincerely,

  
for Roger W. Kallock  
Deputy Under Secretary  
of Defense (Logistics & Materiel  
Readiness)

Enclosure



GAO DRAFT REPORT - DATED SEPTEMBER 6, 2000  
GAO CODE 709484/OSD CASE 2079

"DEFENSE INVENTORY: IMPLEMENTATION PLANS TO IMPROVE CONTROL  
OVER SHIPPED INVENTORY CAN BE IMPROVED"

DEPARTMENT OF DEFENSE COMMENTS TO  
THE GAO RECOMMENDATIONS

**RECOMMENDATION 1:** The GAO recommended that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology and Logistics to review and finalize the six draft implementation plans prepared by the services, the Defense Logistics Agency, and the U.S. Transportation Command.

**DoD RESPONSE:** Partially concur. The implementation plans are being reviewed and the status of the action items in those plans is being monitored. However, it would not be appropriate for the Office of the Secretary of Defense to "finalize" the plans. The implementation plans are not drafts. The plans are living documents that will be worked through completion, with appropriate adjustments as each component works through its completion process. Action items will be added to the plans, as appropriate, to address additional requirements as issues requiring resolution are identified.

**RECOMMENDATION 2:** The GAO recommended that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology and Logistics to require that these plans (1) contain detailed performance measures to allow the Department to assess the effectiveness of the corrective actions and (2) represent a coordinated and uniform DoD-wide approach to correcting the long-standing lack of visibility over inventory being shipped.

**DoD RESPONSE:** Partially concur. The DoD agrees that the DoD components need to ensure that appropriate performance measures are required to ensure successful completion of their plans. The effectiveness of each component's plan, however, will be assessed by the Department through the enterprise level metrics included in the DoD Logistics Strategic Plan. Performance measures that are more detailed in nature are being assessed by each component to ensure successful completion of its plan. The outcome of those measures will be reflected in the component's overall performance as defined in the Logistics Strategic Plan.

See comment 1.

**RECOMMENDATION 3:** The GAO recommended that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology and Logistics to require that, for those corrective actions that involve more than one service or command, the implementation plans include appropriate coordination procedures, specifically addressing the role of each service or command as it relates to implementing each corrective action.

**DoD RESPONSE:** Concur. Individual implementation plans do include the actions necessary for each of the components as required. If the action involves more than one service or command, the appropriate action will be included in each of the plans for those components required to take corrective action. The actions that involve more than one component are coordinated between the components involved. The Office of the Secretary of Defense will provide guidance on issues that cannot be resolved between components.

**RECOMMENDATION 4:** The GAO recommended that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology and Logistics to prepare a DoD-wide implementation plan to identify how the Office of the Secretary of Defense will (1) verify consistent implementation of the corrective actions throughout the Department and (2) oversee the implementation of the individual actions proposed by the services, the Defense Logistics Agency, and the U.S. Transportation Command.

**DoD RESPONSE:** Partially concur. A DoD-wide implementation plan is not feasible due to the different actions required based on the different component systems and procedures. The Office of the Secretary of Defense will work with the Military Departments, the Defense Logistics Agency, and the United States Transportation Command to ensure that the goal of visibility of in-transit assets is achieved. The DoD components are responsible for ensuring that their internal systems and procedures capture visibility of in-transit assets. The Office of the Secretary of Defense will monitor the completion of the individual plans to ensure that other issues are added to those plans where required, and will also ensure that the DoD components are working together toward the goal of visibility of in-transit assets.

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The following is GAO's comment on DOD's letter dated October 11, 2000.

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**GAO Comment**

1. During our review, Department of Defense officials insisted that we treat the six implementation plans as drafts and refer to them in our report as such. Therefore, we refer to these plans as drafts throughout the report. In its comments, the Department states that, while the plans are living documents as opposed to drafts, it agrees that the services and commands need to complete the plans.

# GAO Contacts and Staff Acknowledgments

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## GAO Contacts

Charles I. Patton, Jr. (202) 512-4412  
Lawson Gist, Jr. (202) 512-4478

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## Acknowledgments

In addition to the above contacts, David Schmitt, Patricia Blowe, Lauren Johnson, and Susan Woodward made key contributions to this report.

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# Related GAO Products

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*Defense Inventory: Army Needs to Strengthen and Follow Procedures to Control Shipped Items* (GAO/NSIAD-00-109, June 23, 2000).

*Inventory Management: Better Controls Needed to Prevent Misuse of Excess DOD Property* (GAO/OSI/NSIAD-00-147, Apr. 28, 2000).

*Department of the Navy: Breakdown of In-Transit Inventory Process Leaves It Vulnerable to Fraud* (GAO/OSI/NSIAD-00-61, Feb. 2, 2000).

*Defense Inventory: Plan to Improve Management of Shipped Inventory Should Be Strengthened* (GAO/NSIAD-00-39, Feb. 22, 2000).

*Defense Inventory: Inadequate Compliance With Controls for Excess Firearms and Other Sensitive Items* (GAO/NSIAD-00-27, Nov. 29, 1999).

*Defense Inventory: Property Being Shipped to Disposal Is Not Properly Controlled* (GAO/NSIAD-99-84, July 1, 1999).

*DOD Financial Management: More Reliable Information Key to Assuring Accountability and Managing Defense Operations More Efficiently* (GAO/T-AIMD/NSIAD-99-145, Apr. 14, 1999).

*Defense Inventory: Navy Procedures for Controlling In-Transit Items Are Not Being Followed* (GAO/NSIAD-99-61, Mar. 31, 1999).

*Performance and Accountability Series: Major Management Challenges and Program Risks—Department of Defense* (GAO/OCG-99-4, Jan. 1999).

*High-Risk Series: An Update* (GAO/HR-99-1, Jan. 1999).

*Department of Defense: Financial Audits Highlight Continuing Challenges to Correct Serious Financial Management Problems* (GAO/T-AIMD/NSIAD-98-158, Apr. 16, 1998).

*Department of Defense: In-Transit Inventory* (GAO/NSIAD-98-80R, Feb. 27, 1998).

*Inventory Management: Vulnerability of Sensitive Defense Material to Theft* (GAO/NSIAD-97-175, Sept. 19, 1997).

*Defense Inventory Management: Problems, Progress, and Additional Actions Needed* (T-NSIAD-97-109, Mar. 20, 1997).



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**Related GAO Products**

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*High-Risk Series: Defense Inventory Management* (GAO/HR-97-5, Feb. 1997).

*High-Risk Series: Defense Financial Management* (GAO/HR-97-3, Feb. 1997).

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