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DEFENSE LOGISTICS AGENCY ITEMS SUPPORTING
OBSOLETE ARMY WEAPON SYSTEMS

Report No. D-2001-187

September 27, 2001

Office of the Inspector General
Department of Defense

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Abstract The Defense Logistics Agency (DLA) Defense Inactive Item Program provides for the systematic elimination of inactive, or obsolete, national stock number (NSN) items from the DLA supply system. Obsolete NSNs that are not deleted from the DoD supply system needlessly consume cataloging and supply system files, machine time, personnel resources, and warehouse space. DoD procedures require that the Military Departments withdraw their interest as users of NSNs when the NSNs are no longer required, and DLA procedures require that item managers review potentially inactive NSNs for obsolescence. An NSN is considered potentially inactive if there have been no wholesale demands for the NSN for the past 5 years and registered user concurrence to delete the NSN has not been received by the integrated materiel manager of the NSN. As of March 2000, there were 69,608 NSNs, excluding the clothing and textile, medical, and subsistence commodities, in DLA supply files that were identified as being unique to an Army weapon system for which the "date of last demand field" indicated no demand for 5 years or was blank.		
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Acronyms

DIIP	Defense Inactive Item Program
DLA	Defense Logistics Agency
FLIS	Federal Logistics Information System
LOGSA	Logistics Support Activity
NSN	National Stock Number



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

September 27, 2001

MEMORANDUM FOR DIRECTOR, DEFENSE LOGISTICS AGENCY
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Audit Report on Defense Logistics Agency Items Supporting Obsolete
Army Weapon Systems (Report No. D-2001-187)

We are providing this report for review and comment. This report is one in a series of reports addressing obsolete national stock number items in the DoD supply system. The Army did not respond to the draft report; however, we considered comments from the Defense Logistics Agency when preparing the final report.

DoD Directive 7650.3 requires that all recommendations and unresolved issues be resolved promptly. The Defense Logistics Agency comments were partially responsive. We request additional comments on Recommendation 1.b. We also request that the Army provide comments on the final report. Management comments should be provided by October 28, 2001.

We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Mr. Tilghman Schraden at (703) 604-9186 (DSN 664-9186) (tschraden@dodig.osd.mil) or Mr. Terry Wing at (215) 737-3883 (DSN 444-3883) (twing@dodig.osd.mil). See Appendix C for the report distribution. The audit team members are listed inside the back cover.

David K. Steensma

David K. Steensma
Acting Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. D-2001-187

September 27, 2001

(Project No. D1999LD-0028.003)

Defense Logistics Agency Items Supporting Obsolete Army Weapon Systems

Executive Summary

Introduction. The Defense Logistics Agency (DLA) Defense Inactive Item Program provides for the systematic elimination of inactive, or obsolete, national stock number (NSN) items from the DLA supply system. Obsolete NSNs that are not deleted from the DoD supply system needlessly consume cataloging and supply system files, machine time, personnel resources, and warehouse space. DoD procedures require that the Military Departments withdraw their interest as users of NSNs when the NSNs are no longer required, and DLA procedures require that item managers review potentially inactive NSNs for obsolescence. An NSN is considered potentially inactive if there have been no wholesale demands for the NSN for the past 5 years and registered user concurrence to delete the NSN has not been received by the integrated materiel manager of the NSN. As of March 2000, there were 69,608 NSNs, excluding the clothing and textile, medical, and subsistence commodities, in DLA supply files that were identified as being unique to an Army weapon system for which the “date of last demand field” indicated no demand for 5 years or was blank.

Objectives. Our overall objective was to evaluate the processes that the Military Departments and DLA used to identify and delete items in weapon system files that had obsolete NSNs. This report discusses procedures used to identify and delete DLA-managed NSNs that support obsolete Army weapon systems. In addition, we reviewed management control programs as they applied to the audit objective. This report also discusses the Army re-registering as a user of DLA-managed NSNs that DLA had identified as obsolete because of no user interest. This is the fourth in a series of reports about obsolete national stock numbered items in the DoD supply system. Previous reports (listed in Appendix A) discuss obsolete NSNs in Navy weapon system files, potentially obsolete NSNs in DLA supply files, and NSNs that were excluded from the DLA Defense Inactive Item Program.

Results. DLA supply files contained NSNs that could have been deleted because the NSNs supported obsolete Army weapon systems. The DLA supply files also contained inaccurate data regarding users of NSNs. In a judgmental sample of 60 of 469 Army weapon systems in the DLA weapon system program file and 316 of the 4,047 DLA-managed NSNs associated with those 60 systems, 15 of the systems and 119 of the NSNs were obsolete to Army requirements. DLA supply management data showed that the Army was a registered user of 86 of the 119 NSNs that were obsolete to Army requirements. As a result, DLA was incurring unnecessary supply

management costs to maintain cataloging and supply files and inventory for the obsolete NSNs. In addition, NSNs were not considered for inclusion in the DLA Defense Inactive Item Program in a timely manner. Of the 119 NSNs, 43 NSNs could be deleted from the DLA supply system if Defense Inactive Item Program procedures were either followed or revised (Finding section). See Appendix A for a discussion of our review of the management control programs.

Army action to re-register as a user of DLA-managed NSNs was proper. The Army had erroneously notified DLA to delete 5,683 NSNs that had not been reviewed for obsolescence by Army personnel. The Army later re-registered as a user of those NSNs, which appropriately precluded DLA from deleting NSNs that might have had current or future requirements (Appendix B).

Summary of Recommendations. We recommend that the Director, DLA, establish controls to ensure that weapon system items are included in the Defense Inactive Item Program process and revise Defense Inactive Item Program procedures to include all logistics reassignment DLA NSNs in the Defense Inactive Item Program process. We recommend that the Commanding General, Army Materiel Command, establish controls over Army actions to remove obsolete NSNs from the DLA weapon system program file and to remove the Army as a registered user of DLA-managed NSNs that are no longer required.

Management Comments. DLA generally concurred with the recommendations. DLA stated that its policy does not allow for automatic exclusions of items solely because the items have weapon systems coding. However, the supply centers have the option to inhibit items with proper justification. DLA also concurred that logistics reassignments between DLA supply centers should be included in the Defense Inactive Item Program process, but nonconcurred that logistics reassignments from the Military Departments should be included in the process. The Army did not comment on the draft report. See the Finding section for additional discussion of management comments and the Management Comments section of the report for the complete text of the comments.

Audit Response. The DLA comments were partially responsive. We disagree that logistics reassignments from the Military Departments should not be included in the Defense Inactive Item Program process. We request that DLA reconsider its position and provide additional comments on the final report. We also request that the Army provide comments on the final report. All comments should be provided by October 28, 2001.

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Background

Materiel Management. Defense Logistics Agency (DLA) supply centers are assigned the primary responsibility for materiel management for a group of items used by either a particular Service or by DoD as a whole. Materiel management responsibilities include cataloging,¹ requirements computation, procurement direction, distribution management, and disposal direction. DLA supply centers manage more than 4.1 million national stock number (NSN) items and support more than 1,400 weapon systems.

DoD Guidance. DoD Manual 4140.32-M, “Defense Inactive Item Program (DIIP),” August 1992, states that items no longer needed to support the mission of DoD organizations, other Federal agencies, or the International Logistics Program, needlessly consume machine time, personnel resources, and warehouse space with serious effect on the total supply system. DoD managers at every level are expected to place serious and continuous emphasis on the purging of unneeded items from the materiel inventory and active catalog files. DLA is assigned the responsibilities of administering the DIIP and reviewing and evaluating the operations of the DIIP on a continuous basis.

DoD Manual 4100.39-M. “Federal Logistics Information System (FLIS) Procedures Manual,” April 1999, provides procedures for DoD organizations to interface with the FLIS. The FLIS is a management system designed to collect, store, process, and provide NSN logistics information. Included in the FLIS is information concerning registered users of NSNs.

DLA Procedures. DLA Manual 4140.2, “Supply Operations Manual,” July 1, 1999, provides policy, uniform guidance, and procedures for DLA supply centers to systematically review and eliminate inactive items of supply from the DLA supply system.

DLA Manual 4140.3, “Materiel Management Manual,” August 1988, provides guidance for the management of items in the DLA weapon system support program. The overall objective of the program is to enhance the readiness and sustainability for the Military Departments by providing the maximum level of support for DLA-managed NSNs with a weapon system application. To manage the program, DLA maintains a weapon system program file of NSNs associated with the Military Department weapon systems.

¹The act of naming, classifying, describing, and numbering each item repetitively used, purchased, stocked, or distributed so as to distinguish each item from every other item. Also included is the maintenance of information related to the item and the dissemination of that information to item users.

Potentially Inactive and Obsolete NSNs. A potentially inactive NSN is defined in DoD Manual 4140.32-M as an item that has had no wholesale supply issues for the past 5 years and registered user concurrence to delete the NSN has not been received by the integrated materiel manager of the NSN. An NSN is considered obsolete if the NSN is inactive and there are no current or future requirements anticipated by any registered user or the integrated materiel manager. As of March 2000, there were 69,608 NSNs, excluding the clothing and textile, medical, and subsistence commodities, in DLA supply files that were identified as being unique to an Army weapon system for which the “date of last demand” field indicated no demand for 5 years or was blank.

Objectives

Our overall objective was to evaluate the processes that the Military Departments and DLA used to identify and delete items in weapon system files that had obsolete NSNs. This report discusses procedures used to identify and delete DLA-managed NSNs that support obsolete Army weapon systems. In addition, we reviewed management control programs as they applied to the audit objective. This report also discusses the Army re-registering as a user of DLA-managed NSNs that DLA had identified as obsolete because of no user interest (Appendix B). This is the fourth in a series of reports about obsolete national stock numbered items in the DoD supply system. Previous reports in the series discuss obsolete NSNs in Navy weapon system files, potentially obsolete NSNs in DLA supply files, and NSNs that were excluded from the DLA DIIP. See Appendix A for a discussion of the audit scope and methodology, our review of the management control program, and prior audit coverage.

Items Supporting Obsolete Army Weapon Systems

DLA supply files contained NSNs that could have been deleted because the NSNs supported obsolete Army weapon systems. The DLA supply files also contained inaccurate data regarding users of NSNs. In a judgmental sample of 60 of 469 Army weapon systems in the DLA weapon system program file and 316 of the 4,047 DLA-managed NSNs associated with those 60 systems, 15 of the systems and 119 of the NSNs were obsolete to Army requirements. DLA supply management data showed that the Army was a registered user of 86 of the 119 NSNs that were obsolete to Army requirements. NSNs could have been deleted from the supply system, but were not, because DLA did not take timely actions to delete obsolete NSNs, DIIP procedures excluded certain NSNs from the DIIP process, and the Army either did not delete obsolete NSNs from the DLA weapon system program file or did not withdraw itself as a registered user of obsolete NSNs. As a result, DLA was incurring unnecessary supply management costs to maintain cataloging and supply files and inventory for the obsolete NSNs. In addition, NSNs were not considered for inclusion in the DLA DIIP in a timely manner. Of the 119 NSNs, 43 could be deleted from the DLA supply system if DIIP procedures were either followed or revised.

Identification and Review of Potentially Inactive NSNs

DLA. Each year, the DLA Standard Automated Materiel Management System screens all NSNs in the DLA supply centers' supply control files to determine the NSNs that are eligible for the DIIP. Criteria for determining NSNs eligible for the DIIP are contained in DLA Manual 4140.2. After eligible NSNs have been identified, the Standard Automated Materiel Management System screens the NSNs against catalog and supply data to determine whether they should be excluded from the DIIP. NSNs are excluded from the DIIP for various reasons, including when an NSN is no longer authorized for procurement. NSNs that are included in the DIIP are referred to registered users, primarily the Military Departments. The Military Departments are required to review the NSNs referred by DLA and notify the supply centers to either delete or retain the NSNs.

Army. The Army uses the DIIP process to notify DLA that an NSN is obsolete to Army requirements. The Army also notifies DLA when specific weapon systems become obsolete, but DLA uses that information only to maintain its weapon system program file, not to delete NSNs from the supply system.

Obsolete NSNs

DLA supply files contained NSNs that could have been deleted because the NSNs supported obsolete Army weapon systems. In a judgmental sample of 60 of the 469 Army weapon systems in the DLA weapon system program file and 316 DLA-managed NSNs associated with those 60 systems, Army personnel informed us that 15 of the systems and 119 of the NSNs were obsolete to Army requirements. Of the 119 NSNs, 71 could not be deleted from the supply system because the NSNs were newly entered into the system, the NSNs had registered users other than the Army, or the Army re-registered as a user. For the remaining 48 NSNs, 5 NSNs were deleted from the supply system during the audit; 43 NSNs could be deleted from the DLA supply system if DIIP procedures were either followed or revised.

- Twelve NSNs were not deleted because they were not reviewed by DLA item managers or they were excluded from the DIIP.
- Three NSNs were not deleted because they were coded as being used on a weapon system.
- Ten NSNs were not deleted because they had an inactive item review date after the FY 2000 and FY 2001 DIIP.
- Three NSNs were not deleted because they had supply status codes that excluded them from the DIIP.
- Fifteen NSNs were not deleted because they were included in the FY 2001 DIIP and the Army computer system response to DLA was to retain the NSNs, even though Army personnel had stated that the NSNs were obsolete to Army requirements.

DLA DIIP Deficiencies. Of the 43 NSNs that could be deleted, 12 NSNs were not deleted from the supply system because either DLA item managers were not taking timely actions to review potentially inactive NSNs or NSNs were erroneously excluded from the DIIP. The 12 NSNs were identified in DLA

supply records as either potentially inactive or inhibited from being included in the DIIP. Recent Inspector General, DoD, audit reports (listed in Appendix A) address the timely review of NSNs and NSNs excluded from the DIIP.

NSNs Used on a Weapon System. DLA item managers were reluctant to delete 3 of the 43 obsolete NSNs because the 3 were coded as being used on a weapon system. Three DLA item managers stated that they would not delete obsolete NSNs if the NSNs were coded in DLA files as being used on a weapon system. The position of the DLA item managers was not consistent with DLA guidance. DLA Manual 4140.2 states that NSNs will not be excluded from the DIIP process just because they are included in a formal program, such as a weapon system program.

Inaction by the Army to submit transactions to DLA to remove obsolete NSNs from the DLA weapon system program file contributed to the item managers' reluctance to delete the NSNs. To add, change, or remove an NSN from the DLA weapon system program file, the Army is required to submit a Weapon Item Data Transaction to DLA. Of the 43 obsolete NSNs, 32 were coded as being used on a weapon system. In a judgmental sample of 20 of the 32 NSNs, 15 NSNs were coded in the DLA files as being used on a weapon system, but Army item managers stated that those weapon systems were obsolete. If the Army had notified DLA to remove the NSNs from the weapon system program file, DLA item managers would have had more assurance that an NSN was obsolete and may have taken the necessary action to delete the NSNs.

Inactive Item Review Date. Of the 43 NSNs, 10 were not deleted from the supply system because the NSNs had an inactive item review date that was after the date used by DLA to select NSNs for the FY 2000 and FY 2001 DIIP. The inactive item review date is established either when an NSN enters the supply system or when item management responsibilities are transferred from one integrated materiel manager to another (logistics reassignment). If an NSN is a new item, the review date is 7 years from the date the item entered the supply system. If the NSN is assigned to a DLA supply center as the result of a logistics reassignment, the review date is either 7 years from the date the item originally entered the supply system or 2 years from the date the supply center assumed materiel management responsibility, whichever is greater.

The DLA policy on NSNs subjected to logistics reassignment could effectively extend the DIIP review date indefinitely, excluding those NSNs from the DIIP. The 10 NSNs had been excluded from the DIIP because the inactive item review dates (ranging from November 2001 through May 2004) were after the date used by DLA to select NSNs for the DIIP. The 10 NSNs were logistics reassignments between the Military Departments and DLA or among DLA supply centers. The review dates for those NSNs had been extended, which

excluded them from the DIIP. For example, the supply system entry dates for the 10 NSNs showed that the NSNs had entered the DoD supply system from 1963 through 1985 and there was no record of any demand for those NSNs in the DLA files. Of the 69,608 NSNs with no demand over 5 years, 15,082 were logistics reassignments and had not been included in either the FY 2000 or FY 2001 DIIP. DLA could avoid excluding obsolete NSNs from the DIIP if it did not extend the 7-year review date of NSNs subjected to logistics reassignment.

Supply Status Codes. Of the 43 NSNs, 3 had been excluded from the DIIP because DLA Manual 4140.2 excludes certain supply status codes.² The supply status codes of the three NSNs indicated either that the NSNs were terminal (not authorized for future procurement) or that the primary method of supply was local purchase. Of the 69,608 NSNs, 3,709 NSNs had been excluded from the DIIP because of their assigned supply status codes. We plan to evaluate the appropriateness of excluding NSNs from the DIIP because of supply status codes in a future audit.

FY 2001 DIIP. Of the 43 NSNs, 15 NSNs were included in the FY 2001 DIIP. During the audit, Army weapon system program managers stated that the NSNs were obsolete to Army requirements. However, the Army computer system response to the DLA DIIP was that the 15 NSNs should be retained. Because the Army computer system response to the DIIP was inconsistent with the position of the Army weapon system program managers, it appeared that the 15 NSNs should have been deleted. We plan to further evaluate the appropriateness of the Army computer system response to the DIIP in a future audit.

Withdrawal of User Interest

DLA supply files contained inaccurate data regarding users of NSNs. The Army had not withdrawn itself as a registered user of NSNs that it no longer required. FLIS records showed the Army as a registered user for 86 of the 119 NSNs that were obsolete to Army requirements. In accordance with DoD Manual 4100.39, when a registered user no longer has a requirement for an NSN, the user must submit a transaction requesting withdrawal of user interest that is processed through the FLIS. The procedures allow registered users to withdraw their interest in an NSN at any time. It is important that users withdraw their interest in a timely manner because DLA screens NSNs that

² Status codes in supply records indicate the normal means of supply and stockage or nonstockage of the NSN.

qualify for the DIIP through the FLIS to determine whether there are any registered users of the NSNs. If there are no registered users of the NSNs, they are not sent to the Military Departments, they are evaluated by DLA for obsolescence. Sending items to registered users who neglected to withdraw their interest needlessly expends limited time and resources.

Conclusion

If the DIIP is to work as intended, DLA and the Army must take timely and appropriate actions to identify obsolete NSNs and DLA must take timely actions to delete obsolete NSNs from its supply system. Inaction by DLA and the Army caused DLA to incur unnecessary supply management costs to maintain cataloging and supply files and inventory for the obsolete NSNs. In addition, NSNs were not considered for inclusion in the DLA DIIP in a timely manner. Of the 316 judgmentally sampled NSNs, 119 were obsolete to Army requirements and 43 of the 119 could be deleted from the DLA supply system if DIIP procedures were either followed or revised. Although the audit identified only a small number of NSNs that were obsolete, correcting the conditions identified by the audit should identify a significant number of potentially obsolete NSNs (up to the 15,082 logistics reassignment NSNs that were not included in the DIIPs) and should improve the DIIP process (more accurate registered user and weapon system data).

Recommendations, Management Comments, and Audit Response

1. We recommend that Director, Defense Logistics Agency:

a. Establish controls to ensure that the item managers properly include national stock number items associated with weapon systems in the Defense Inactive Item Program.

b. Revise the Defense Inactive Item Program policy to include national stock number items subjected to logistics reassignment in the DIIP process 7 years after the items originally entered the DoD supply system.

Defense Logistics Agency Comments. DLA concurred that its policy does not allow for automatic exclusion of items solely because the items have weapon systems coding. However, the DLA supply centers have the option to inhibit items from the DIIP with proper justification. DLA also concurred that logistics

reassignments between DLA supply centers should be included in the DIIP. However, DLA nonconcurred that items subjected to logistics reassignments between the Military Departments and DLA should be included in the DIIP process. DLA stated that, during the consumable item transfer, it had agreed to support the items transferred to DLA for 2 years after the transfer to preclude disposing of critical assets prematurely.

Audit Response. The DLA comments were generally responsive; however, we disagree with its comments that logistics reassignments between the Military Departments and DLA should not be included in the DIIP process. We take no exception with the agreement for DLA to support the items for 2 years after the transfer. However, there were about 903,000 items transferred to DLA during the consumable item transfer. Of the 903,000 items, 760,000 (84 percent) were transferred during a 4-year period ending November 1995 and 143,000 were transferred during the period January 1996 through November 1998. It has been almost 6 years since the bulk of the items were transferred and almost 3 years since the total transfer was completed; the 2-year support period has expired and is not a valid reason to exclude consumable item transfer NSNs that have been in the supply system for more than 7 years from the DIIP. The intent of our recommendation was to address all logistics reassignment NSNs, regardless of whether or not the items were included in the consumable item transfer. We request that DLA reconsider its position and provide additional comments in response to the final report.

2. We recommend that the Commanding General, Army Materiel Command, establish controls to ensure that Army organizations submit transactions to the Defense Logistics Agency to:

a. Remove obsolete national stock number items from the Defense Logistics Agency weapon system program file.

b. Remove the Army as a registered user of national stock number items in the Federal Logistics Information System when the items are no longer required.

Army Comments. The Army did not comment on a draft copy of this report. We request that the Army provide comments in response to the final report.

Appendix A. Audit Process

Scope and Methodology

Work Performed. We evaluated the rationale of the Army re-registering as a user of 5,683 DLA-managed NSNs in September 1999 that DLA had previously identified as obsolete because of no user interest. We discussed the re-registration with DLA and Army personnel and reviewed cataloging and supply records that were dated from September 1999 through February 2001.

We reviewed the process that DLA and the Army used to identify and delete DLA-managed NSNs that support obsolete Army weapon systems. As of March 2000, there were 69,608 NSNs, excluding the clothing and textile, medical, and subsistence commodities, in DLA supply files that were identified as being unique to an Army weapon system for which the date of last demand field indicated no demand for 5 years or was blank. We judgmentally selected 60 of 469 Army weapon systems in the DLA weapon system program file to determine whether the systems were obsolete. We also judgmentally selected for review 316 of the 4,047 DLA-managed NSNs associated with the 60 systems to determine whether the NSNs were obsolete. For each of the 60 systems and 316 NSNs, we interviewed DLA and Army personnel to determine whether the systems or NSNs were obsolete. The documents we reviewed included DLA standard operating procedures; DoD, DLA, and Army guidance; catalog files; and supply records. The documents were dated from August 1988 through September 2001.

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

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

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

Performance Measure 2.3.6: Disposal of excess National Defense Stockpile inventory and reduction of supply inventory. **(01-DoD-2.3.6)**

High-Risk Area. The General Accounting Office has identified several high-risk areas in DoD. This report provides coverage of the DoD Inventory Management and DoD Infrastructure Management high-risk areas.

Use of Computer-Processed Data. We relied on computer-processed data provided by DLA to identify potentially inactive NSNs unique to Army weapon systems. We did not perform a formal reliability assessment of the computer-processed data. However, to the extent that we reviewed the data, we did not find any errors that would preclude use of the data to meet the audit objectives or that would change the conclusions in this report.

Audit Type, Dates, and Standards. We performed this economy and efficiency audit from March through September 2001, in accordance with generally accepted Government auditing standards except that we were unable to obtain an opinion on our system of quality control. The most recent external quality control review was withdrawn on March 15, 2001, and we will undergo a new review.

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

Management Control Program Review

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

Scope of the Review of the Management Control Program. We reviewed the adequacy of DLA and Army management controls over reviewing NSNs that were identified as potentially inactive. We reviewed DLA and Army self-evaluations applicable to those controls.

Adequacy of Management Controls. As defined by DoD Instruction 5010.40, we identified material management control weaknesses at DLA and the Army. DLA was not taking timely actions to delete obsolete NSNs from its supply system. The Army was not withdrawing its user interest when there were no future requirements for DLA-managed NSNs that supported obsolete Army weapon systems. Recommendation 1. in this report, if implemented, in addition to the recommendations made in Inspector General, DoD, Report No. D-2001-131, “Items Excluded From the Defense Logistics Agency Defense Inactive Item Program,” and Report No. D-2001-035, “Management of Potentially Inactive Items at the Defense Logistics Agency,” will correct the DLA material weakness identified by this audit. Recommendation 2. in this report, if implemented, will correct the Army material weakness. Correction of the material management control weaknesses could result in potential monetary benefits. A copy of the report will be provided to the senior officials responsible for management controls in DLA and the Army.

Adequacy of Management’s Self-Evaluation. DLA did not identify reviewing the DIIP for NSNs associated with weapon systems or subject to logistics reassignments as assessable units and, therefore, did not identify or report the material management control weakness identified by the audit.

The Army did not identify withdrawal of user interest in NSNs supporting obsolete weapon systems as an assessable unit and, therefore, did not identify the material management control weakness identified by the audit.

Prior Coverage

During the past 5 years, the Inspector General, DoD, and the Air Force Inspection Agency have issued reports discussing obsolete NSNs. Unrestricted Inspector General, DoD, reports can be accessed at <http://www.dodig.osd.mil/audit/reports>.

Inspector General, DoD

Inspector General, DoD, Report No. D-2001-131, “Items Excluded From the Defense Logistics Agency Defense Inactive Item Program,” May 31, 2001

Inspector General, DoD, Report No. D-2001-035, “Management of Potentially Inactive Items at the Defense Logistics Agency,” January 24, 2001

Inspector General, DoD, Report No. D-2000-185, "Allegations to the Defense Hotline Concerning Management of Obsolete Repairable Items,"
September 7, 2000

Air Force

Air Force Inspection Agency, Report No. PN 00-502, "Purging Obsolete Aircraft Major-End Items," September 19, 2000

Appendix B. Re-Registration of User Interest

User Interest

Re-Registered NSNs. Inspector General, DoD, Report No. D-2001-035, “Management of Potentially Inactive Items at the Defense Logistics Agency,” January 24, 2001, reported that DLA did not take timely actions to review potentially inactive (all users had withdrawn interest) NSNs to determine whether the NSNs should be deleted from the DLA supply system. As a result of the audit, the Defense Supply Center Philadelphia developed a computer program to expedite the review process and deleted 20,385 of 26,424 NSNs that had been in a review status at the Center more than 90 days. Of the 6,039 NSNs that were not deleted, the Army had re-registered as a user of 5,683 NSNs.

The re-registration of user interest, however, was proper. Personnel at the Army Logistics Support Activity (LOGSA), Redstone Arsenal, Alabama, stated that there was a computer problem in May 1999 that resulted in the Army sending DIIP transactions to DLA to delete the 5,683 NSNs without providing the users of the NSNs the opportunity to review the NSNs for potential requirements. LOGSA personnel subsequently identified the computer problem and, in conjunction with the Defense Logistics Information Service, re-registered the Army as a user of the NSNs.

If the Army had not re-registered as a user of the NSNs, DLA could have deleted NSNs with either current or future requirements. The NSNs will be subject to future DLA DIIP processes, which will give Army users an opportunity to review the NSNs for obsolescence.

Appendix C. Report Distribution

Office of the Secretary of Defense

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House Subcommittee on Defense, Committee on Appropriations

House Committee on Armed Services

House Committee on Government Reform

House Subcommittee on Government Efficiency, Financial Management, and Intergovernmental Relations, Committee on Government Reform

House Subcommittee on National Security, Veterans Affairs, and International Relations, Committee on Government Reform

House Subcommittee on Technology and Procurement Policy, Committee on Government Reform

Defense Logistics Agency Comments



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

IN REPLY
REFER TO J-33

AUG 17 2001

MEMORANDUM FOR DoD IG

SUBJECT: Draft of a Proposed Audit Report – Defense Logistics Agency Items
Supporting Obsolete Weapon Systems, Project No. D1999LD-0028.003,
dated June 22, 2001

Comments on the finding and recommendation of the subject draft report are attached.

A handwritten signature in black ink, appearing to read "Proctor".

HAWTHORNE L. PROCTOR
Major General, USA
Director
Logistics Operations

Attachment
DLA Comments

Subject: Defense Logistics Agency Items Supporting Obsolete Army Weapon Systems,
Project No. DI 999LD-0028.003

Finding: DLA supply files contained NSNs that could have been deleted because the NSNs supported obsolete Army weapon systems. The DLA supply files also contained inaccurate data regarding users of NSNs. NSNs could have been deleted from the supply system, but were not, because DLA did not take timely actions to delete obsolete NSNs. As a result, DLA was incurring unnecessary supply management costs to maintain cataloging and supply files and inventory for the obsolete NSNs. (See page 3 of report.)

DLA Comments: Partially concur. As noted on page 12 of the draft report, because of system problems Army requested to be re-registered on 5,683 DLA-managed items. If these items had been cancelled promptly, a considerable expense would have been incurred to reinstate them.

Recommendation No.1: The DOD-IG recommends that Director, DLA:

- a. Establish controls to ensure that the item managers properly include national stock number items associated with weapon systems in the Defense Inactive Item Program.

DLA Comments: Concur. DLA Policy does not allow for automatic exclusion of items solely because they have weapon systems coding. However, the DLA Centers do have the option to inhibit inclusion of items on a case-by-case basis with proper justification. For example, there may be weapon systems or other support programs which are critical enough to warrant exclusion from the DIIP process.

Disposition:

(X)Action is ongoing. ECD: February 2002.

() Action is considered complete.

- b. Revise the Defense Inactive Item Program policy to include national stock number items subjected to logistics reassignment in the DIIP process 7 years after the items originally entered the DoD supply system.

DLA Comments: Partially concur. Items transferred between the DLA Supply Centers should be included in the DIIP process. However, nonconcur that items transferred from the Military Services to DLA be included in DIIP. Agreements reached between the Military Services and DLA during the Consumable Item Transfer effort of 1991-1998 resulted in DLA retaining the items' level of support for 2 years after transfer. This arrangement ensures DLA will not dispose of critical assets prematurely, especially for those items with cyclical demand and/or diminished manufacturing sources.

Disposition:

(X)Action is ongoing. ECD: February 2002

() Action is considered complete.

Final Report
Reference

Pages 11-12

Internal Management Control Weakness: DLA was not taking timely actions to delete obsolete NSNs from its supply system. Recommendation 1, if implemented, will correct the DLA material weakness identified. (See pages 9- 10 of report.)

Nonconcur.

Concur; weakness will be reported in the DLA Annual Statement of Assurance.

Audit Team Members

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

Shelton R. Young
Raymond D. Kidd
Tilghman A. Schraden
Terrance P. Wing
John W. Henry
James J. McDermott
David R. Hasz
Paul Hollister
Robert M. Paluck
Paula A. Richardson
Herman Tolbert