

April 5, 2002



# Logistics

Delivery and Receipt of DoD Cargo  
Inbound to the Republic of Korea  
(D-2002-079)

Department of Defense  
Office of the Inspector General

*Quality*

*Integrity*

*Accountability*

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### **Acronyms**

LTL	Less-Than Truckload
MCT	Movement Control Team
PODs	Ports of Debarkation
SSA	Supply Support Activities
TCMD	Transportation Control Movement Document
UMMIPS	Uniform Materiel Movement and Issue Priority System
USFK	U.S. Forces Korea



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

April 5, 2002

**MEMORANDUM FOR COMMANDER, U.S. FORCES KOREA**

**SUBJECT: Audit Report on the Delivery and Receipt of DoD Cargo Inbound to the Republic of Korea (Report No. D-2002-079)**

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

Comments on the draft conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues; therefore, no additional comments are required.

We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Mr. Dennis Payne at (703) 604-8907 (DSN 664-8907 (dpayne@dodig.osd.mil) or Mr. Keith A. Yancey at (703) 604-8774 (DSN 664-8774) (kyancey@dodig.osd.mil). See Appendix C for the report distribution. The audit team members are listed inside the back cover.

  
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## Office of the Inspector General, DoD

Report No. D-2002-079

April 5, 2002

(Project No. D2000LH-0131.002)

### Delivery and Receipt of DoD Cargo Inbound to the Republic of Korea

#### Executive Summary

**Introduction.** This is the third and final in a series of reports being issued by the Inspector General, DoD, to address the effectiveness of the DoD supply and distribution system. The Assistant Deputy Under Secretary of Defense (Supply Chain Integration) expressed concern about whether the supply and distribution system was effective in delivering cargo to end users at overseas locations. This report discusses delivery and receipt by U.S. Forces Korea of DoD cargo that is inbound to the Republic of Korea (the theater).

**Objectives.** Our objective was to assess the effectiveness of the DoD distribution and transportation system to support the DoD strategic goal of reducing logistics response time, as it relates to customers located outside the continental United States. The specific objective for this portion of the review was to assess delivery and receipt of DoD cargo arriving in the theater.

**Results.** The surface delivery of DoD cargo from ports of debarkation to consignees using commercial carriers was not adequately managed within the theater, and Uniform Materiel Movement and Issue Priority Systems standards were not always complied with for delivery of high priority cargo from the ports of debarkation. To assess surface delivery times, we conducted judgmental samples of cargo deliveries from ports of debarkation to consignees. In our review, cargo delivered from Kimpo International Airport, Korea, and Osan Air Base, Korea, usually exceeded the Uniform Materiel Movement and Issue Priority Systems 1-day delivery standard. Delivery times for shipments of cargo from those aerial ports of debarkation reviewed for November and December 2000 and January and February 2001 averaged almost 3.8 days. Delivery times for less-than truckload\* shipments of cargo from Osan Air Base reviewed for November and December 2000 were not consistently completed within the 3-day commercial contract requirement. Further, at the port of Pusan, Korea, commercial carriers did not always return DD Form 1384-2, "Transportation Control Movement Documents," with a consignee signature and date of receipt before returning DD Form 1384-2 to the consignor. As a result, U.S. Forces Korea had no assurance that high priority cargo (Transportation Priority 1) for DoD was delivered in a timely manner and was in compliance with Uniform Materiel Movement and Issue Priority System standards, or that commercial carriers were held accountable for performance of delivery contracts. Also, shipping high priority cargo by air and having U.S. Forces

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\*Less-than truckload is a term that the commercial trucking industry uses to identify a shipment that does not use the full weight or cubic carrying capacity of a truck.

Korea arrange for commercial carriers to deliver cargo in excess of Uniform Materiel Movement and Issue Priority System standards was an inefficient use of DoD resources. Further, mission capabilities may be hampered because of untimely delivery of high priority cargo (finding A).

The Supply Support Activities in the theater that we reviewed did not adequately maintain truck manifests used for processing receipts for delivered cargo or end-user pickup sheets used to show when cargo was issued to the end user. Further, the consignee did not always pick up cargo timely from the Supply Support Activities. As a result, the Supply Support Activities had no assurance that the cargo delivered was properly accounted for, the date the end user received the cargo, or whether the end user received the cargo (finding B).

**Summary of Recommendations.** We recommend that the Commander, U.S. Forces Korea establish guidance for delivery of cargo using the Uniform Materiel Movement and Issue Priority System or U.S. Forces Korea supplemental standards; establish procedures for retaining documentation containing delivery times and dates as evidence that cargo was delivered; prepare or amend contracts to establish compliance with delivery standards or U.S. Forces Korea supplemental standards; establish procedures to ensure that the priority of cargo to be delivered is matched with a contract with delivery standards; establish procedures, metrics, and surveillance plans to monitor commercial carriers for timely delivery and to reconcile movement control documents that will ensure consignees receive cargo promptly and accurately; require Supply Support Activities to have personnel available to receive high priority cargo when needed; require Supply Support Activities to maintain legible truck manifests and end-user pickup sheets and to revise U.S. Forces Korea Regulation 55-355, "Korea Traffic Management," June 1992, to immediately contact customers for pickup of high priority cargo.

**Management Comments.** The U.S. Forces Korea concurred and stated that it will take action to improve the transportation procedures as outlined in this report. Further, action will include clearly defined procedures, development and establishment of effective controls, standards, evaluations, and internal reporting requirements that will prevent future occurrences of the problems. Although not required to comment, the Department of the Army, Office of the Deputy Chief of Staff for Logistics concurred with the report and with U.S. Forces Korea comments to the 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 U.S. Forces Korea comments are fully responsive. We commend U.S. Forces Korea for their prompt and comprehensive actions and their cooperation to improve the delivery and receipt of DoD cargo inbound to the Republic of Korea.

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## Background

The Assistant Deputy Under Secretary of Defense (Supply Chain Integration) expressed concern about whether the supply and distribution system was effective in delivering cargo to customers at overseas locations. We issued our first report, Inspector General, DoD, Report No. D-2001-149, "Coordinating and Tracking of Commercial Containers in Korea," on June 22, 2001. The objective in that audit was to assess movement of commercial containers in the Republic of Korea (the theater). We issued our second report, Inspector General, DoD, Report No. D-2002-004, "Import Processing of DoD Cargo Arriving In the Republic of Korea," on October 4, 2001. The objective in that audit was to assess import processing of commercial ports of entry in the theater. This third and final report discusses delivery and receipt processing by U.S. Forces Korea (USFK) of DoD cargo that is inbound to the theater.

**Customer Wait Time.** The Deputy Under Secretary of Defense (Logistics and Materiel Readiness) established a Customer Wait Time Committee designed to oversee performance of the DoD supply and distribution system. Customer Wait Time measures delivery time for cargo from the time it is ordered until delivered to the end user. See Appendix B for our assessment of Customer Wait Time in the theater.

**Uniform Materiel Movement and Issue Priority System.** The Uniform Materiel Movement and Issue Priority System (UMMIPS) provides a foundation for managing delivery and receipt of materiel through the DoD distribution system based on a hierarchy of priority codes that are established by the end user when the requisition is submitted. UMMIPS ensures that materiel is processed according to the mission importance of the requiring organization and an urgency of need. To manage items, the distribution system applies established time standards for delivery of cargo and processing of receipts for DoD organizations.

For nonexpress air deliveries (Transportation Priority 1) of cargo to an overseas theater, UMMIPS allows .5 days for ports of debarkation (POD)<sup>1</sup> processing and 1 day of delivery time to the consignee,<sup>2</sup> for a total delivery time of 1.5 days. However, for commercial express deliveries (Transportation Priority 1) to an overseas theater, UMMIPS does not allow any time for POD processing but does provide 1 day of delivery time to the consignee, for a total delivery time of 1 day.

Surface deliveries (Transportation Priority 3) are generally used for cargo that is less time sensitive. For Transportation Priority 3 deliveries, UMMIPS allows 3 days for processing cargo at a POD and 5 days for delivery to the consignee.

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<sup>1</sup>A POD is an authorized point of entry into a country either by air or surface transportation.

<sup>2</sup>The consignee is the receiving point for a shipment designated for customers in the theater.



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**Delivery of DoD Cargo.** USFK has overall responsibility for providing delivery of DoD cargo within the theater by both military and commercial transportation. That responsibility was delegated to the 19th Theater Support Command. The 25th Transportation Battalion, a subordinate unit of the 19th Theater Support Command, Eighth U.S. Army functions as the USFK surface transportation manager within the theater for the Component services.

The 25th Transportation Battalion uses movement control teams (MCTs) to coordinate and track movement of DoD cargo by commercial transportation from the PODs to consignees. DD Form 1384-2, "Transportation Control Movement Documents," (TCMDs) are provided to the carrier to deliver cargo from a terminal to another place, whether by truck or rail.

The 25th Transportation Battalion uses transportation contracts with commercial carriers to deliver inbound cargo to consignees. The contracts vary based on the type of delivery, such as less-than truckload (LTL),<sup>3</sup> and full loads. When using LTL contracts, carriers are allowed to deliver cargo to consignees within 3 days from pickup, unless a longer delivery time is specifically authorized. The total length of time for delivery, however, shall not exceed 5 days. For carriers with full loads, the contract requires same-day delivery. The contracts also require commercial carriers to present transportation documents (such as TCMDs) to the consignee to verify, tally, and receipt inbound freight. Upon receipt by the consignee, the carrier provides a copy of the documents to the consignee and designated MCT. To complete the transaction, the consignee signs the transportation documents and forwards a copy to the 837th Transportation Battalion. Delivery time is defined as the amount of time that elapses between when the POD releases the cargo until the consignee receives the cargo.

**Receipt Processing of Inbound Shipments.** The Supply Support Activities (SSAs) are USFK organizations, designated as consignees, who usually are the central receiving points for deliveries of cargo to the end user. Shipments usually arrive at an SSA by truck and are accompanied by the appropriate transportation documents that contain the necessary information for properly accounting for the complete shipment. Only when a shipment arrives at the SSA with appropriate transportation documents is the delivery complete. Receipt processing time is the amount of time that elapses between when the consignee receives the cargo and when the cargo is issued to the end user.

**Military Traffic Management Command Responsibilities.** The Military Traffic Management Command is the single agency manager for DoD traffic and is responsible for contracting surface deliveries of containerized cargo from U.S. ports of origin to overseas PODs. The 837th Transportation Battalion, a subordinate unit of the Military Traffic Management Command, is the port manager for both DoD-owned and DoD-leased containers that arrive in the theater. The 837th Transportation Battalion coordinates receiving and staging DoD cargo that arrives by surface transportation at any of the theater seaports. Containers arrive in the theater through the Port of Pusan, Korea, and are staged

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<sup>3</sup>Less-than truckload is a term that the commercial trucking industry uses to identify a shipment that does not use the full weight or cubic carrying capacity of a truck.

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at the container yards of the respective carriers. The 837th Transportation Battalion is responsible for coordinating port activities, clearing containers received for customs processing, and coordinating through the 25th Transportation Battalion MCTs for carriers to deliver the containers to the consignees.

## **Objectives**

The audit objective was to assess the effectiveness of the DoD distribution and transportation system to support the DoD strategic goal of reducing logistics response time,<sup>4</sup> as it relates to customers located outside the continental United States. The specific objective for this portion of the review was to assess delivery and receipt of DoD cargo arriving in the theater. See Appendix A for discussion of the audit scope and methodology, review of management control program, and prior coverage.

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<sup>4</sup>Logistics response time is the amount of time that elapses from the date a customer prepares a requisition until the date the customer acknowledges receipt of the requisitioned materiel.

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## A. Delivery of DoD Cargo from Ports of Debarkation to Consignees

The surface delivery of DoD cargo from PODs to consignees using commercial carriers was not adequately managed within the theater, and UMMIPS standards were not always complied with for delivery of high priority cargo from the PODs. To assess surface delivery times, we conducted judgmental samples of cargo deliveries from PODs to consignees. In our review, cargo delivered from Kimpo International Airport, Korea,<sup>5</sup> and Osan Air Base, Korea, usually exceeded the UMMIPS 1-day delivery standard. Delivery times for shipments of cargo from those aerial PODs reviewed for November and December 2000 and January and February 2001 averaged almost 3.8 days.<sup>6</sup> Delivery times for LTL shipments of cargo from Osan Air Base reviewed for November and December 2000 were not consistently completed within the 3-day commercial contract requirement. Further, at the Port of Pusan, Korea, commercial carriers did not always return TCMDs with a consignee signature and date of receipt before returning to the consignor.<sup>7</sup>

Those conditions occurred because:

- Transportation contracts did not always include provisions for timely delivery of cargo and for delivery of cargo on weekends and holidays,
- MCTs did not establish operating procedures that would ensure contract delivery requirements matched the transportation priority of the incoming cargo, and
- MCTs and contracting officer representatives did not effectively monitor commercial carriers for timely delivery performance and proper receipt of cargo.

As a result, USFK had no assurance that high priority cargo (Transportation Priority 1) for DoD was delivered in a timely manner and was in compliance with UMMIPS standards, commercial carriers were held accountable for performance of delivery contracts, and mission capabilities were not hampered by the untimely delivery of the

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<sup>5</sup>In March 2001, international air traffic, including shipments of DoD cargo, was permanently rerouted from Kimpo International Airport located in Seoul, Korea, to Incheon International Airport located in Incheon, Korea.

<sup>6</sup>A judgmental sample was used to assess delivery of DoD cargo from PODs to consignees. The results presented are limited to the sample reviewed and are not generalized to their universe.

<sup>7</sup>For this report, the consignor is the activity that is either the supplier or shipper of the cargo.

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high priority cargo. Shipping high priority cargo by air and having the cargo delivered within the theater in an untimely manner was an inefficient use of DoD resources.

## **USFK Guidance and Responsibilities**

**U.S. Forces Korea Regulation 55-355.** USFK Regulation 55-355, “Korea Traffic Management,” June 1992, states that the Commander, 25th Transportation Battalion is required to provide delivery control services for USFK, arrange for all line-haul<sup>8</sup> common carrier service for delivery of cargo, and manage surface deliveries based on priority and required delivery date. Further, the 25th Transportation Battalion is required to use commercial transportation contracts, provide contracting officer representative services as required, and monitor contractor activities that will ensure compliance with regulations and contracts.

**The 25th Transportation Battalion Standard Operating Procedures.** The 25th Transportation Battalion standard operating procedures define guidelines for using commercial line-haul transportation to deliver cargo to consignees in Korea. MCT responsibilities include verifying contractor performance by performing quality assurance checks in accordance with the contract, using commercial transportation contracts, and monitoring contractor activities to ensure that regulation and contract requirements are met. To monitor commercial carrier performance, MCTs are required to receive from the commercial carrier documentation that confirms receipt of cargo by the consignee. The commercial carrier signs and dates all copies of the transportation documents and provides a copy of those documents to the consignor and consignee.

**Contracting Officer Representative Handbook.** U.S. Army Contracting Command Korea issued the Contracting Officer Representative Handbook dated May 1994. The Handbook states that the contracting officer representative shall determine that work is performed in accordance with the terms and conditions of the contract. The contracting officer representative performs periodic tests and inspections of contractor performance to ensure that the work meets contract requirements. Further, the contracting officer representative establishes a surveillance plan to monitor contractor performance. The surveillance plan is required to include oversight instructions that ensure final delivery of cargo and performance meets contract specifications and MCTs submit required reports regarding contractor performance to the contracting officer.

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<sup>8</sup>Line-haul is defined as the movement of a container between a carrier’s terminal at the port where the container is loaded or offloaded from a vessel and another place outside the commercial zone port city by means other than the carrier’s principal vessels.

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## Delivery Times

The surface delivery of DoD cargo from PODs to consignees using commercial carriers was not adequately managed within the theater and UMMIPS standards were not always complied with for delivery of high priority cargo from the PODs. Based on the items we reviewed, cargo delivered from Kimpo International Airport and Osan Air Base usually exceeded the UMMIPS 1-day delivery standard. Deliveries of LTL shipments of cargo from Osan Air Base were not consistently completed within the 3-day commercial contract requirement. Documentation was not available to assess surface delivery times from the Port of Pusan.

**High Priority Deliveries.** High priority cargo delivered from Kimpo International Airport and Osan Air Base to consignees was not consistently timely because the cargo on average was delivered in about 3.8 days which exceeded the UMMIPS 1-day delivery standard for high priority deliveries (Transportation Priority 1). At the time of the audit, commercial air cargo shipments to the theater normally arrived at Kimpo International Airport and military air cargo shipments normally arrived at Osan Air Base.

**Kimpo International Airport.** Delivery times for shipments of cargo from Kimpo International Airport reviewed for January 10 through February 9, 2001, averaged 2.8 days<sup>9</sup> versus the standard of 1 day. We judgmentally sampled 101 of 471 invoices from the Federal Express Corporation and 50 of 121 invoices from DHL Worldwide Express that had cleared through customs for the period reviewed. The delivery times were measured from the day the carrier picked up the customs clearance forms from the USFK Customs Clearance Office at Kimpo International Airport until the consignee received the cargo. The delivery time ranged from .5 to 7.5 days.

**Osan Air Base.** Delivery times for LTL shipments by the MCT from Osan Air Base reviewed for November and December 2000 averaged 4.8 days<sup>9</sup> versus the standard of 1 day. We reviewed a judgmental sample of 163 surface shipments. The delivery times were measured from the day the carrier picked up cargo from the MCT at Osan Air Base until consignee received. Of the 163 shipments, 150 were identified as high priority. The delivery time ranged from 1 to 15 days.

**Compliance with Contract.** Delivery times of LTL shipments of cargo from Osan Air Base to consignees were not consistently completed within the 3-day commercial contract requirement (Contract No. DAJB03-98-D-0041). We judgmentally sampled 163 surface shipments, and the results showed that delivery times for 106 of the LTL shipments from Osan Air Base reviewed for November and December 2000 were not completed within the 3-day contract

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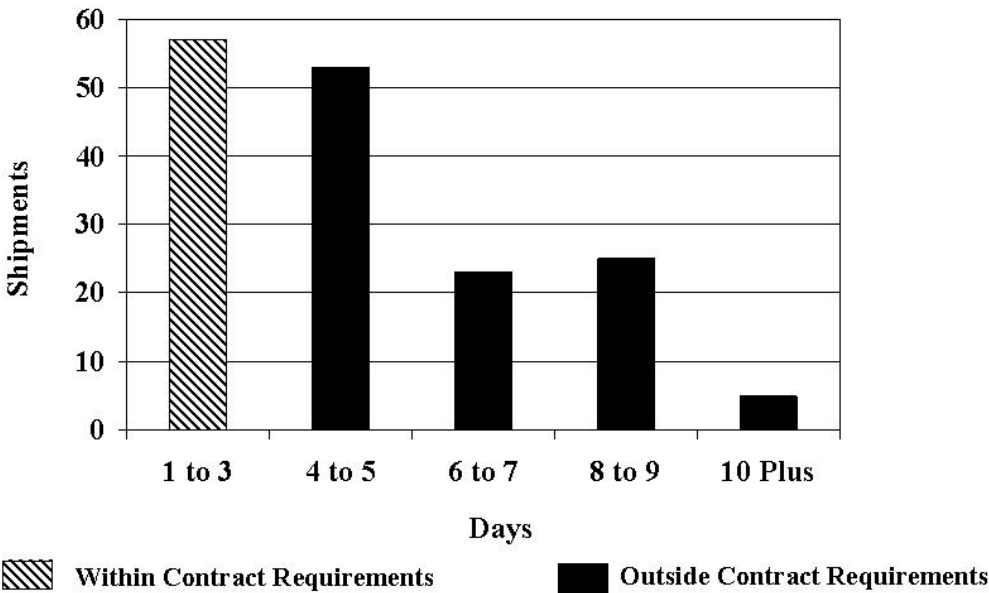
<sup>9</sup>A judgmental sample was used to assess delivery of DoD cargo from PODs to consignees. The results presented are limited to the sample reviewed and are not generalized to their universe.

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requirement. For the 106 deliveries that exceeded the 3-day contract requirement, the deliveries averaged 6.02 days.<sup>10</sup> The delivery time ranged from 4 to 15 days.

Table 1 shows daily delivery times of LTL cargo shipped from Osan Air Base.

**Table 1. Daily Deliveries of LTL Cargo from Osan Air Base, Korea**



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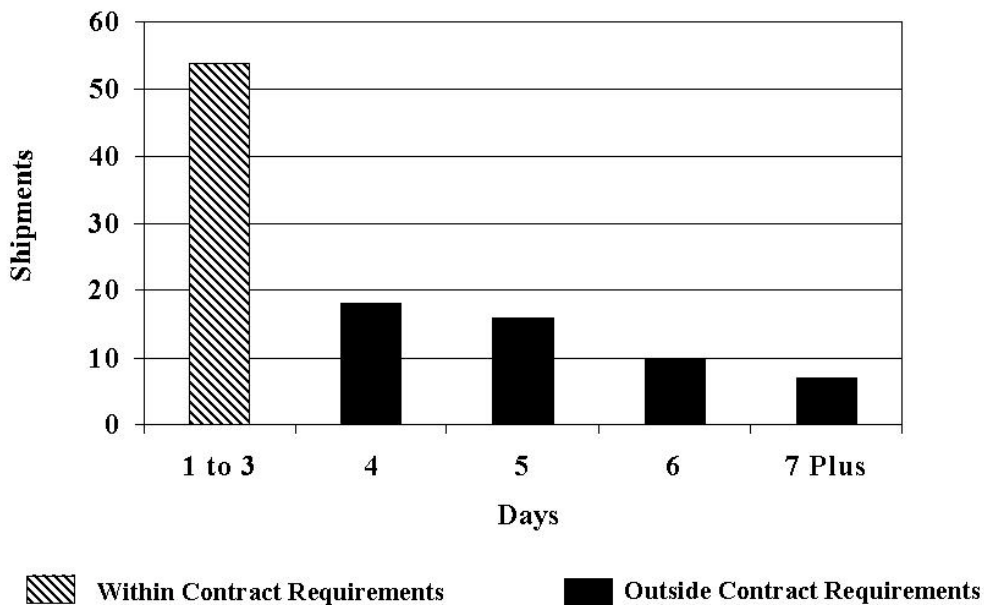
<sup>10</sup>A judgmental sample was used to assess delivery of DoD cargo from PODs to consignees. The results presented are limited to the sample reviewed and are not generalized to their universe.

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Excluding weekends and holidays, 52 of the LTL shipments were not completed within the 3-day contract requirement. The delivery times averaged 5.1 days.<sup>11</sup> The delivery time ranged from 4 to 11 days.

Table 2 shows daily deliveries of LTL cargo from Osan Air Base, excluding weekends and holidays.

**Table 2. Daily Deliveries of LTL Cargo from Osan Air Base, Korea (Excluding Weekends and Holidays)**



## Movement Control Documents

At the Port of Pusan, commercial carriers did not always return to the consignor TCMDs with a signature of the consignee and date the consignee received the shipment. During November and December 2000, the 837th Transportation Battalion prepared 635 TCMDs for surface delivery of noncontainerized cargo from the Port of Pusan to consignees. The TCMDs were provided to the local MCT to arrange transportation with a commercial carrier. We judgmentally sampled 200 TCMDs. The results of the sample showed that the carriers did not return to the consignor 174 of the 200 TCMDs that would ensure cargo was delivered to the consignee. MCT officials stated that they usually did not receive from the carrier documentation that confirmed receipt of cargo by the consignor.

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<sup>11</sup>A judgmental sample was used to assess delivery of DoD cargo from PODs to consignees. The results presented are limited to the sample reviewed and are not generalized to their universe.

## Transportation Contracts

Transportation contracts did not include provisions for timely delivery of cargo and did not always include provisions for delivery on weekends and holidays. USFK has about 20 transportation contracts in place for moving bulk fuel, cargo, passengers, and the U.S. mail, for which 6 contracts involve movement of USFK cargo from the PODs. The six contracts did not always specify the amount of time allowed for cargo delivery or whether an allowance for deliveries on weekends and holidays was included. Further, only one contract included the 1-day delivery time specified in UMMIPS for high priority shipments.

Table 3 shows the six contracts used for delivery of DoD cargo from the PODs.

<b>Table 3. USFK Transportation Contracts for Delivering DoD Cargo to Consignees</b>				
<u>Contract No.</u>	<u>Delivery Time</u>	<u>Does Contract Allow for Deliveries on Weekends?</u>	<u>Does Contract Allow for Deliveries on Holidays?</u>	<u>Was UMMIPS included in Statement of Work?</u>
DAAJB-00-D-0083	3 days	No	No	No
DAJB03-98-D-0041	3 days	No	Yes	No
DAJB03-98-D-0042	Not Stated	Yes	Yes	No
DAJB03-98-D-0059	Not Stated	No	No	No
DAJB03-99-D-0061	Not Stated	Yes	Yes	No
DAJB03-01-P-0484	Same day	No	No	No

The 25th Transportation Battalion standard operating procedures encompass UMMIPS as part of its traffic management procedures. The procedures state:

UMMIPS provides the guidelines and standards for movement priorities. When UMMIPS does not provide an applicable time standard for theater movement, assignment of transportation priority should be given in accordance with Military Standard Transportation and Movement Procedures, Volume I. (DoD Regulation 4500.32-R)

Further, Army Regulation 725-50, "Requisitioning, Receipt, and Issue System," November 1995, states that for requisitions with a high priority and a "Not Mission Capable Supply" requirement the receiving activity will process the requirements 7 days a week, 24 hours a day. USFK contracts used for delivery of cargo from PODs should specify the amount of time required for cargo delivery and whether delivery on weekends and holidays is required.



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## **Operating Procedures**

MCTs did not establish operating procedures to ensure that commercial contract delivery requirements were matched to the transportation priority of the incoming cargo. For example, high priority and Not Mission Capable Supply items should be delivered in 1 day and processed 7 days a week, 24 hours a day; yet, the average delivery time for high priority cargo was 2.8 days from Kimpo International Airport and 4.8 days from Osan Air Base. Procedures need to be established to ensure that high priority and Not Mission Capable Supply items at the PODs are matched to delivery contracts with provisions for 1-day delivery including weekends and holidays. Cargo with lower priorities could then be matched to delivery contracts with provisions for those deliveries that exceed 1 day and that may include weekends and holidays.

## **Monitoring of Commercial Carriers**

MCTs and contracting officer representatives did not effectively monitor commercial carriers for the performance of timely delivery and proper receipt of cargo. No system was in place for tracking commercial carriers that would ensure cargo was delivered timely to the consignees and receipts were properly executed. The contracting officer representative surveillance plans did not include procedures for ensuring performance and final delivery of cargo met the specifications in the contract. Further, we did not find any examples of the contracting officer representatives performing periodic tests and inspections of contractor performance. Procedures should be established to monitor carrier performance and to assess any movement control documents (for example, TCMDS and surface manifests) received from commercial carriers to ensure that consignees receive prompt and accurate delivery of cargo.

## **Impact of Delivery Times**

USFK had no assurance that DoD high priority cargo (Transportation Priority 1) was delivered in a timely manner and was in compliance with UMMIPS standards, commercial carriers were held accountable for performance of delivery contracts, and mission capabilities were not hampered by the untimely delivery of the high priority cargo. Shipping high priority cargo by air only to have the cargo delivered within the theater in an untimely manner was an inefficient use of DoD resources.

USFK needs to take action to improve its procedures for surface transportation to ensure that consignees receive prompt and accurate delivery of cargo. USFK should first determine standards for which the surface delivery of cargo from the PODs must meet. Those standards could be the UMMIPS requirements or the USFK supplemental standards to the UMMIPS that are more applicable to theater requirements. The standards should address, at a minimum, timeliness

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of cargo to be delivered using the transportation priorities including deliveries on weekends and holidays. USFK should also determine use and retention procedures applicable to the theater for documentation that will provide evidence of delivery times and accuracy of the delivered cargo.

USFK also needs to prepare or amend commercial carrier contracts that contain delivery provisions associated with the established standards. For example, at least one contract could have a provision for 1-day delivery and weekend and holiday delivery, while at least one contract could have a provision for more than 1-day delivery and may include weekend and holidays deliveries. Those contracts should clearly state the penalty for failing to meet the provision for delivery times.

Once those steps are complete, USFK needs to establish procedures that will ensure the priority of the cargo delivered from a POD is matched with a commercial carrier contract that ensures delivery within the established standards. Finally, USFK needs to establish procedures to monitor commercial carrier performance and to reconcile movement control documents received from commercial carriers to ensure consignees receive prompt and accurate delivery of cargo.

## **Recommendations, Management Comments, and Audit Response**

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

**1. Establish guidance for delivery of cargo from ports of debarkation within the theater using Uniform Materiel Movement and Issue Priority System standards or U.S. Forces Korea supplemental standards to the Uniform Materiel Movement and Issue Priority System criteria more applicable to theater requirements.**

**Management Comments.** USFK concurred with the recommendation, stating that it will revise USFK Regulation 55-355 to add the requirement that high priority cargo be delivered from the ports of debarkation in accordance with standards prescribed by UMMIPS.

**2. Establish procedures for using and maintaining documentation that provides evidence of delivery times and the accuracy of the delivered cargo.**

**Management Comments.** USFK concurred with recommendation, stating that the revised USFK Regulation 55-355 will incorporate procedures requiring that organizations providing transportation services shall use and maintain documentation that provides evidence of both delivery times and accuracy of the delivered cargo.

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**3. Prepare or amend commercial carrier contracts that contain delivery provisions for weekend and holiday deliveries, and penalties for nonperformance compliance with the standards established by the provisions of Recommendation A.1.**

**Management Comments.** USFK concurred with the recommendation stating that it will incorporate in the revised USFK Regulation 55-355 the requirement that organizations providing transportation services develop and maintain the capability to deliver high priority cargo on weekends and holidays.

**4. Establish procedures to ensure that the priority of the cargo to be delivered from a port of debarkation is matched with a commercial carrier contract that has the necessary provisions that will ensure delivery within the standards established by Recommendation A.1.**

**Management Comments.** USFK concurred with the recommendation, stating that it has reviewed all of its transportation contracts and requested that the U.S. Army Contracting Command Korea modify contracts that did not state specific delivery times.

**5. Establish procedures, metrics, and surveillance plans that will monitor and ensure carrier performance of contract specifications and reconcile movement control documents received from commercial carriers to ensure consignees received prompt and accurate delivery of all cargo.**

**Management Comments.** USFK concurred with the recommendation, stating that contracting officer representatives prepare monthly a contractor performance rating on contractor services. Also, contractors are required in the statement of work to submit within 1 week from time of delivery a copy of the TCMD to the originating MCT. If the contractor does not comply, the contracting officer representative reports a deficiency on the contractor performance rating and forwards the rating to U.S. Army Contracting Command Korea if deficiencies are noted.

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## B. Receipt Processing of DoD Cargo

The five SSAs reviewed did not adequately maintain truck manifests used for the processing of receipts for delivered cargo or signed pickup sheets used to show when cargo was issued to the end user. Further, the end user did not always pick up cargo timely from the SSAs. The lack of documentation occurred because SSAs believed that it was not necessary to maintain supporting documentation for inbound cargo. Also, the SSAs did not have a system in place to coordinate picking up cargo with the end user. As a result, SSAs had no assurance that cargo delivered was properly accounted for, the date the end user received the cargo, or whether the end user received the cargo.

### USFK Criteria

**Army Regulation 25-400-2.** Army Regulation 25-400-2, “The Modern Army Recordkeeping System,” October 1, 2001, states that information relating to inbound and outbound shipments, including bills of lading, freight bills, and express receipts, should be disposed of after 3 years.

**U.S. Forces Korea Regulation 55-355.** USFK Regulation 55-355 states that SSAs must inspect, account for, and offload shipments that arrive at the receiving activity. Also, the SSAs are required to receipt for incoming cargo using shipping documents to count the shipment and signing the documents to confirm receipt. Upon recording that inbound cargo has been received, the SSAs are required to either have cargo available for the end user to pick up, place in stock, or excess. End users are expected to come to the SSA daily and to check the storage bins for cargo that is available for pickup and then sign pickup sheets to acknowledge receipt for that cargo. Receiving activities shall maintain files for the processing of receipts. That documentation shall include, at a minimum, the carrier’s name, contract number, vehicle identification, date and time the vehicle arrived, and the dates that the loading and offloading of the vehicle began and were completed.

### Audit Universe and Sample Selection.

The Defense Automatic Addressing System Center manages the Logistics Metrics Analysis Reporting System. The Logistics Metrics Analysis Reporting System is the official Customer Wait Time tracking system for DoD. The Defense Automatic Addressing System Center tracks materiel as it progresses through the logistics system and records associated response times. The SSA enters receipt information the carrier obtains and provides from the documents upon delivery of cargo in a local system. Once entered, the data are automatically processed and cargo receipt is noted in the Logistics Metrics Analysis Reporting System.

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**Audit Universe and Sample Selection.** We used the Defense Automatic Addressing System Center database from June and July 2000 to identify an audit universe of 6,750 Class IX items (repairables and consumables) for 5 of the SSAs located in the theater. We used a stratified random sample to select 480 requisitions at those 5 SSAs. The SSA, unit name, and sample size were as follows:

<u>SSA in Korea</u>	<u>Unit</u>	<u>Size</u>
Camp Casey	D Company, 702nd Maintenance Support Battalion	180
Camp Eagle	G Company, 52nd Aviation	40
Camp Humphreys	520th Maintenance Company	70
Kunsan Air Force Base	8th Supply Squadron	150
Suwon Air Force Base	3rd Maintenance Company	<u>40</u>
<b>Total</b>		<b>480</b>

## Truck Manifests

Truck manifests<sup>12</sup> used for the processing of receipts of inbound cargo at the SSAs were not adequately maintained. From our sample, we projected at the 95 percent confidence level that the cargo arrival date could be identified for only 528 (7.8 percent) of the 6,750 shipments. The lower and upper limit of our estimate is 371 and 684, respectively. The SSAs either did not maintain the truck manifests or could not match up to any truck manifest the cargo that arrived. Further, examples were found in the samples that the SSAs recorded receipt of cargo for a 1-day processing, even though the cargo had arrived up to 3 days before it was processed. In addition, SSA personnel informed us that they did not always reconcile inbound cargo to the truck manifest. SSA personnel also informed us that cargo received was accounted for after the commercial carrier departed the SSAs premises.

## End-user Pickup Sheets

Signed end-user pickup sheets that showed when cargo was issued to the end user were not maintained. From our sample, we projected at the 95 percent confidence level that 915 (13.6 percent) of the 6,750 pickup sheets were either not maintained or the documentation was not readable. The lower and upper limit of our estimate is 711 and 1,119, respectively.

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<sup>12</sup>Truck manifests are documents that organizations use to account for the receipt of incoming trucks delivering cargo. A truck manifest may be used in place of a TCMD.

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## **SSAs Maintaining Receipt Documents**

The SSAs believed no requirement existed that made it necessary to maintain supporting documentation (truck manifests and pickup sheets) for inbound cargo, even though Army regulations require that information for inbound and outbound shipments be kept for at least 3 years. Receiving personnel did not believe retaining truck manifests for recordkeeping was necessary because the personnel annotated the Julian date (which represented cargo arrival date and date processed) on a requisition form (DD Form 1348-1A, "Issue Release/Receipt Document) that the carrier provided when the cargo was delivered. However, we found examples where the cargo arrival date was not always the same as the processed date. Further, we observed cargo that had arrived on a previous day that had not been processed when received. As a result, the SSAs had no assurance that cargo that was delivered was accurate and properly accounted for once the cargo was offloaded.

## **Timely Processing**

End users did not always pick up their cargo timely from the SSAs. From our sample, we projected at the 95 percent confidence level that in 1,250 instances, the end users took more than 2 days after the cargo was made available to pick up that cargo from the SSAs. The lower and upper limit of the estimate is 1,029 and 1,472, respectively. Those pickups were not timely because the shipments included cargo that was high priority and sent by air to the aerial PODs. End user pickup times for the 1,250 items ranged from 2 days to 38 days. Cargo pickup was not timely because the SSAs did not have a system in place to coordinate cargo pickup with the end user. The SSAs expected that end users would check storage bins daily. The SSAs did not contact or notify end users that high priority cargo had arrived and was available for pickup.

## **Conclusion**

The SSAs had no assurance that delivered cargo was properly accounted for, the date an end user received the cargo, or whether the end user received the cargo at all. However, the problems identified have broader implications. The local systems in the theater were set up to acknowledge receipt of materiel on the date received at the SSA receiving activity rather than the date the end user acknowledged receipt. The Standard Army Retail Supply System (Army) and Standard Base Supply System (Air Force) recorded receipt of materiel on the date the receipts were processed. At the SSAs, the date for the receipt of cargo was not reported to the Defense Automatic Addressing System Center upon issue to the end user, but rather the receipt date at the SSAs. That process inaccurately closed out the receipt date of cargo before the date the end user picked up the cargo, thereby providing incorrect data used in determining Customer Wait Time.

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## **Recommendations, Management Comments, and Audit Response**

**B. We recommend that the Commander, U.S. Forces Korea revise U.S. Forces Korea Regulation 55-355 to require:**

**1. Supply Support Activities to maintain dated and signed truck manifests and pickup sheets to confirm receipt.**

**Management Comments.** USFK concurred with the recommendation and stated that proper implementation of the regulation would improve documentation of delivery and accountability of the SSAs. Further, SSAs are now using an automated system for receipt processing, which performs receipt acknowledgement.

**2. Supply Support Activities immediately contact end users for pickup of high priority cargo within the same day the cargo is made available for end user.**

**Management Comments.** USFK concurred with the recommendation and stated USFK Regulation 55-355 is being revised to require SSAs to immediately contact end users within the same day the cargo is made available for pickup of high priority cargo.

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# Appendix A. Audit Process

## Scope and Methodology

**Work Performed.** We reviewed the DoD, USFK, and Military Traffic Management Command regulations concerning policies, responsibilities, and procedures for delivery and receipt of DoD cargo inbound to the theater. We reviewed six USFK contracts used for delivering cargo from the PODs. We performed audit work at aerial and sea PODs, the 25th Transportation Battalion, Seoul, Korea; the 837th Transportation Battalion, Pusan, Korea; and at five SSAs throughout the theater. Our effort, for this segment of the overall audit, concentrated on delivery and receipt of cargo received at the Kimpo International Airport, Osan Air Base, and the Port of Pusan and delivered to consignees. We examined the 25th Transportation Battalion records to assess contracting officer representatives and MCTs responsibilities and the 837th Transportation Battalion records for delivery of noncontainerized cargo to consignees. Further, we used a random sample of delivery records at the SSAs to assess adequacy of receipt processing. Our sample covered cargo for which the SSA processed and signed receipts for the 60-day period that ended July 31, 2000.

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

**Use of Computer-Processed Data.** We relied on computer-processed data from the Logistics Metrics Analysis Reporting System to identify the number of cargo that were receipted at the SSAs.

**Accuracy of Data and Effect on Audit.** We did not assess the accuracy of data obtained from the Logistics Metrics Analysis Reporting System. We used the data to identify the scope of Class XI items requisitioned by five SSAs for the 60-day period reviewed.

**Use of Technical Assistance.** Statisticians from the Analysis, Planning, and Technical Support Directorate, Quantitative Methods Division, Office of the Assistant Inspector General for Auditing, DoD, provided assistance in designing a random statistical sampling plan for evaluating and projecting the results of the receipt processing at the SSAs.

**Audit Type, Dates, and Standards.** We performed this economy and efficiency audit from July 2001 through March 2002 in accordance with generally accepted government auditing standards. We included tests of management controls considered necessary.

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



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## Management Control Program Review

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

**Scope of the Review of the Management Control Program.** We reviewed the adequacy of management controls for delivery and receipt processing of DoD cargo arriving in the theater.

**Adequacy of Management Controls.** We identified material management control weaknesses for the delivery and receipt processing of cargo at USFK as defined by DoD Directive 5010.40. The USFK management controls for delivery and receipt processing of DoD cargo were not adequate because delivery of DoD cargo from PODs to consignees using commercial carriers did not consistently provide timely delivery of high priority cargo (finding A). Further, USFK management controls for maintaining truck manifests and signed end user pickup sheets were not adequate to show when the cargo was received at the SSA and picked up by the end user (finding B). A copy of the report will be provided to senior officials responsible for management controls within the Army.

**Adequacy of Management's Self-Evaluation.** USFK did not identify delivery of cargo arriving from PODs nor the processing of receipts for DoD cargo as assessable units and, therefore, did not identify or report the material management control weaknesses identified by the audit. However, the Eighth U.S. Army, Korea did identify delivery of cargo arriving in the theater and the processing of receipts for DoD cargo at the SSAs as assessable units.

## Prior Coverage

During the last 5 years, the Inspector General, DoD, has issued two reports that discuss transportation issues in the Republic of Korea. The Army Audit Agency has also issued one report that discusses end user wait time. Unrestricted Inspector General, DoD, reports can be accessed over the Internet at <http://www.dodig.osd.mil/audit/reports>.

## Inspector General

Inspector General, DoD, Report No. D-2002-004, "Import Processing of DoD Cargo Arriving In the Republic of Korea," October 4, 2001

Inspector General, DoD, Report No. D-2001-149, "Coordinating and Tracking of Commercial Containers in Korea," June 22, 2001

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**Army**

Army Audit Agency, Report No. AA 01-394, "Customer Wait Time,  
2nd Infantry Division, Eighth U.S. Army, Korea," August 10, 2001

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## Appendix B. Customer Wait Time

The Deputy Under Secretary of Defense (Logistics and Materiel Readiness) established a DoD Customer Wait Time Committee (the Committee) that would oversee the performance measurement of the DoD supply and distribution system. In December 2000, the Committee changed Logistics Response Time to Customer Wait Time. Whereas Logistics Response Time measured elapsed time from customer requisition to receipt of materiel ordered from the DoD wholesale system, Customer Wait Time measures the total elapsed time between when a requisition is issued and when an order is delivered to the end user. In addition, Customer Wait Time not only measures the segments of Logistics Response Time (wholesale), but also measures purchases from contractors and local retailers.

From our evaluation of the measurements for Customer Wait Time, we believe that the processing time for receipt of cargo in the theater is not accurately measured. Army and Air Force systems (the Standard Army Retail Supply System [Army] and Standard Base Supply System [Air Force]) the SSAs use in the theater to acknowledge cargo receipt to the Defense Automatic Addressing System Center were not capable of disclosing the actual pick up times of the end user. The two systems are set up to acknowledge receipt of the cargo at the SSAs rather than when the end user picks it up. The procedures that the two systems used to close out the receipt of cargo before the end user arrived at the SSA to pick up the cargo closed out the receipt of cargo before the customer arrived. As mentioned in finding B, customers normally took more than 2 days to pick up their cargo. Further, because the SSAs were not retaining truck manifests, we found several instances of cargo arriving as many as 3 days before the SSA initiated processing. We also believe the receipt processing of 1 day that the SSAs in the theater reported to Defense Automatic Addressing System Center is distorted and that using existing procedures may distort potential measurement of Customer Wait Time as envisioned. We believe the DoD receipt procedures that measure Customer Wait Time need to be assessed. The Committee review of DoD receipt procedures is warranted at this time.

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## **Appendix C. Report Distribution**

### **Office of the Secretary of Defense**

Under Secretary of Defense (Comptroller)  
Deputy Chief Financial Officer  
Deputy Comptroller (Program/Budget)  
Under Secretary of Defense for Acquisition, Technology, and Logistics

### **Department of the Army**

Assistant Secretary of the Army (Financial Management and Comptroller)  
Auditor General, Department of the Army

### **Department of the Navy**

Naval Inspector General  
Auditor General, Department of the Navy

### **Department of the Air Force**

Assistant Secretary of the Air Force (Financial Management and Comptroller)  
Auditor General, Department of the Air Force

### **Unified Commands**

Commander in Chief, U.S. Pacific Command  
Commander in Chief, U.S. Forces Korea  
U.S. Transportation Command  
Military Traffic Management Command

### **Non-Defense Federal Organizations**

Office of Management and Budget

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## **Congressional Committees and Subcommittees, Chairman and Ranking Minority Member**

Senate Committee on Appropriations  
Senate Subcommittee on Defense, Committee on Appropriations  
Senate Committee on Armed Services  
Senate Committee on Governmental Affairs  
Senate Subcommittee on Surface Transportation and Merchant Marines, Committee on  
Commerce, Science, Transportation  
House Committee on Appropriations  
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 Technology and Procurement Policy, Committee on  
Government Reform  
House Subcommittee on Coast Guard and Maritime Transportation, Committee on  
Transportation and Infrastructure  
House Subcommittee on Highways and Transit, Committee on Transportation and  
Infrastructure  
House Subcommittee on National Security, Veterans Affairs, and International  
Relations, Committee on Government Reform

# Department of the Army Comments



DEPARTMENT OF THE ARMY  
OFFICE OF THE DEPUTY CHIEF OF STAFF FOR LOGISTICS  
500 ARMY PENTAGON  
WASHINGTON, DC 20310-0800



DALO-FPT

MEMORANDUM THRU DEPUTY CHIEF OF STAFF, G-4

FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Draft Audit Report on Delivery and Receipt of DoD  
Cargo Inbound to the Republic of Korea (Project No. D2000LH-  
0131.002)--INFORMATION MEMORANDUM

1. This is in response to USAAA E-mail of 8 Jan 02 (Tab A), which asked ODCS, G-4 to respond to your memorandum of December 26, 2001 (Encl to Tab A). Your memorandum requested that the subject report be reviewed and comments provided for inclusion in the final report.

2. We reviewed the draft report at Tab B and concur without comments. In addition, we reviewed United States Forces, Korea's (USFK) response to subject draft report (TAB C) and concur.

2 Encls

DONALD D. PARKER  
Brigadier General, GS  
Director of Force Projection  
and Distribution

CF:  
ASA (ALT)  
DALO-ZXA

# US Forces Korea Comments



HEADQUARTERS, UNITED STATES FORCES, KOREA

UNIT #15237  
APO AP 96205-0010

REPLY TO  
ATTENTION OF:

FKCS-IR

22 February 2002

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

SUBJECT: Draft Report on the Department of Defense Inspector General (DoDIG) Audit on Delivery and Receipt of DoD Cargo Inbound to the Republic of Korea (Project No. D2000LH-0131.002)

1. Enclosed is the command reply to the subject draft report. Command generally concurs with the reported facts, observations, conclusions and recommendations contained in the draft report.
2. POC is Mr. Kanik, DSN (315) 723-3740.

Encl  
as

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

Printed on  Recycled Paper

**USFK COMMAND REPLY**

**DRAFT DODIG REPORT,  
DELIVERY AND RECEIPT OF DOD CARGO INBOUND  
TO THE REPUBLIC OF KOREA**

**USFK General Comments**

1. Report page 2, second paragraph, last sentence, **Delivery of DoD Cargo**. Should delete "usually beyond 10 mile radius" from the sentence, "Transportation Control Movement Documents (TCMDs) are provided to the carrier to deliver cargo from a terminal to another place usually beyond a 10 mile radius, whether by truck or rail." TCMDs are always issued.

Revised

2. Report page 2, third paragraph, **Delivery of DoD Cargo**. Should insert the following before the last sentence, "To complete the transaction, the consignee signs TCMD and forwards to 837th Transportation Battalion."

Revised

3. Report pages 2 - 3, last sentence of paragraph on **Military Traffic Management Command Responsibilities**. Should be changed to read, "The 837<sup>th</sup> Transportation Battalion is responsible for coordinating port activities, clearing containers that are received for customs processing, and coordinating through the 25<sup>th</sup> Transportation Battalion Movement Control Teams (MCTs) for the carrier to deliver the containers to the consignees. "

Revised

4. USFK will take actions to improve the transportation procedures as outlined in the report. Actions will include clearly defining procedures, developing and establishing effective controls, standards, evaluations, and internal reporting requirements to prevent future occurrences of these problems.

**DoDIG Recommendations**

**Recommendation A.1.** Establish guidance for delivery of cargo from ports of debarkation within the theater using Uniform Material Movement and Issue Priority System standards or U.S. Forces Korea supplemental standards to the Uniform Material Movement and Issue Priority System criteria more applicable to theater requirements.

**USFK Comments.** Concur with Comment. USFK Regulation 55-355, "Korea Traffic Management", is being revised to add the requirement that high priority cargo be delivered from the ports of debarkation in accordance with standards prescribed in the Uniformed Materiel Movement and Issue Priority System (UMMIPS) for USFK controlled cargo only (See note below). Revision of USFK Regulation 55-355 was delayed several times in order to incorporate required changes as a result of the current and previous DoDIG audit reports. Target completion date is NLT the 4<sup>th</sup> Quarter, FY



2002. The Eighth U.S. Army Command Inspection Program (CIP) will include steps to verify UMMIPS standard adherence. The new checklist will be integrated into the Eighth U.S. Army CIP schedule by the 4<sup>th</sup> Quarter, FY 2002.

**NOTE:** USFK does not control the delivery standards for cargo movement under the WWX or Commercial ALOC contracts transiting through Incheon International Airport. The United States Air Force Air Mobility Command (AMC) currently manages these contracts and the carrier's performance measures. According to AMC, WWX or Commercial ALOC are not aligned with UMMIPS standards. It's likely that the COMALOC contract has similar provisions and may not be aligned with UMMIPS. Therefore, USFK should not be held responsible for this portion of the transportation pipeline, but only when USFK driven custom clearance or cargo receipt at the SSA issues effect cargo deliveries.

**Recommendation A.2.** Establish procedures for using and maintaining documentation that provides evidence of delivery times and the accuracy of the delivered cargo.

**USFK Comments.** Concur. Procedures requiring organizations that provide transportation services to use and maintain documentation that provides evidence of delivery times and the accuracy of the delivered cargo will be incorporated in the revised USFK Regulation 55-355, which is scheduled for completion NLT the 4<sup>th</sup> Quarter, FY 2002. The Eighth U.S. Army Command Inspection Program (CIP) will include steps to verify delivery times and delivery accuracy. The new checklist will be integrated into the Eighth U.S. Army CIP schedule by the 4<sup>th</sup> Quarter, FY 2002.

**Recommendation A.3.** Prepare or amend commercial carrier contracts that contain delivery provisions for weekend and holiday deliveries, and penalties for nonperformance compliance with the standards established by the provisions of Recommendation A.1.

**USFK Comments.** Concur with Comment. The requirement that organizations providing transportation services (USFK controlled contracts only) develop and maintain a capability to deliver high priority cargo on weekends and holidays will be incorporated in the revise USFK Regulation 55-355, which is scheduled for completion NLT the 4<sup>th</sup> Quarter, FY 2002. USFK will coordinate with appropriate Major Subordinate Commands to ensure their ability to receipt cargo on weekends and holidays on a case-by-case basis, particularly cargo needed to take critical combat system or pacing item off deadline. USFK will coordinate this action by the 4<sup>th</sup> Quarter, FY 2002. As stated in the "NOTE" to Recommendation A.1, United States Air Force AMC controls WWX and Commercial ALOC contracts.

**Recommendation A.4.** Establish procedures to ensure that the priority of the cargo to be delivered from a port of debarkation is matched with a commercial carrier contract that has the necessary provisions that will ensure delivery within the standards established by Recommendation A1.

**USFK Comments.** Concur. We have reviewed all of our transportation contracts and requested modification of those contracts that did not state specific delivery times. This request was sent to U.S. Army Contracting Command Korea (CCK) on 7 November 2001.

**Recommendation A.5.** Establish procedures, metrics, and surveillance plans that will monitor and ensure carrier performance of contract specifications and reconcile movement control documents received from commercial carriers to ensure consignees received prompt and accurate delivery of all cargo.

**USFK Comments.** Concur. Contract Officer Representatives (COR) assigned to each movement control team (MCT) complete a USFK Form 173-R (Contractor's Performance Rating) on contractor services. This form is completed monthly and sent to CCK if deficiencies are noted. In addition, our MCTs employ active quality assurance measures to ensure contractor performance is in accordance with the statement of work (SOW). The 662nd MCT, in Seoul, performs reconciliation of all Transportation Control Movement Documents (TCMD). In this SOW, the contractor has one week from the time of delivery to submit one copy of the TCMD to the originating MCT. If the contractor does not comply, the COR reports this deficiency on USFK Form 173-R to CCK.

**Recommendation B.1.** Revise U.S. Forces Korea Regulation 55-355 to require Supply Support Activities to maintain dated and signed truck manifests and pickup sheets to confirm receipt.

**USFK Comments.** Concur. USFK Regulation 55-355, paragraph 7-13, b., 2. (4), currently states, "The consignee annotates on the (truck) manifest the receipt or non-receipt of cargo destined for him or any other discrepancy discovered. Copy 2 of the manifest will be returned to the consignor and copy 3 returned to the carrier. Copy 1 is retained by the consignee and filed." Proper implementation of the regulation would improve documentation of delivery and accountability at the SSAs. Additionally, units (SSAs) should outline procedures for using pick-up sheets in respective SOPs or customer guides.

When this audit occurred, receipt processing at SSAs was a manual process. We are now automated using the Automated Manifest System (AMS) where our receipt clerks scan the bar codes of the multipacks. This generates an automated receipt acknowledgement DIC: TK\_) for each item which propagates back through DAAS to confirm receipt with the supplier. All SSA transaction records are maintained both in SARSS2B and ILAP databases. For truck receipts carrying manual TCMD's, the SSAs acknowledge receipt of this shipment and maintain copies of the shipping documents.

SSA pickups are also automated in SARSS. Customer pickups are scanned prior to material leaving the SSA. Customers must have authorized pickup cards, issued and controlled by the SSA, as their Commander's only designated representative. These cards are scanned for authenticity prior to material leaving the SSA. Customers enter the receipt of property into their ULLS systems upon return to their unit areas. Manual pickup sheets are no longer necessary.

**Recommendation B.2.** Revise U.S. Forces Korea Regulation 55-355 to require Supply Support Activities immediately contact end users for pickup of high priority cargo within the same day the cargo is made available for end user.

**USFK Comments.** Concur. USFK Regulation 55-355 is being revised to require Supply Support Activities to immediately contact end users for pickup of high priority cargo within the same day the cargo is made available for end user. Target completion date is NLT the 4<sup>th</sup> Quarter, FY 2002.

Customers within 2ID pickup material from the SSAs daily. This captures all high priority cargo that may have been made available for issue that day. Furthermore the DMMC has high priority request, transportation, receipt, and issue procedures for extremely high priority cargo. This includes aviation AOG (Aircraft On Ground) requests, and "walk-through" requests by customers. Further, the DMMC has coordinated procedures with our in-country higher source of supply for same day release and transport of high priority cargo from U.S. Army Materiel Support Center Korea. These "Blue-Streak" procedures are codified by SOP. Finally, with each electronic transfer of data between the SSA and customer, the customer is notified of all property released by the SSA and awaiting pickup. The customer receives updated requisition status with each blast. All customers are required to transmit their requests electronically, on a Block Asynchronous Transmission (BLAST) on a daily basis. Many do so more often depending on need.

The Seventh Air Force Supply and Transportation units at Osan and Kunsan Air Bases conducted a thorough review of the report. Although referenced in the second part of the audit report as one of the five Supply Support Activities during the audit, Kunsan looked at cargo documentation and cargo movement to the final end-user and found that (1) cargo is being delivered to supply points within standards. (2) Truck manifests are maintained by the transportation management office (TMO), and (3) commercial carrier-delivered cargo is delivered and in-checked into the supply standard base supply system as well as TMO's cargo movement operations system on-time. Osan's TMO moves cargo ahead of time standards; typically 99 percent of it moves either the same day received or the next.

## **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.

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