DEPARTMENT OF DEFENSE

AUDIT REPORT

CLASS VIII MEDICAL MATERIEL CONTROLS
IN THE U.S. EUROPEAN COMMAND

No. 91-062

March 15, 1991

Office of the
Inspector General

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884

March 15, 1991

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (FINANCIAL MANAGEMENT)
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL MANAGEMENT AND COMPTROLLER)

SUBJECT: Audit Report on Class VIII Medical Materiel Controls in the U.S. European Command (Report No. 91-062)

This is our final report on Class VIII Medical Materiel Controls in the U.S. European Command (USEUCOM). We made the audit of Class VIII Medical Materiel, requested by the Joint Staff and the USEUCOM, from September 1989 through May 1990. The audit objectives addressed in this report were to evaluate whether internal control procedures for Class VIII medical materiel were effectively applied and whether stocked items were adequately safeguarded. Inspector General Audit Report No. 90-112, "Class VIII Medical Materiel," September 25, 1990, addresses the other audit objectives to assess the computation of medical war reserves, to evaluate on-hand medical supplies, and to determine the effectiveness of the Tri-Service Medical Logistics System-Europe. Approximately $83 million of Class VIII medical materiel was stored in Europe as of the beginning of FY 1990.

The controls over the drug inventory at U.S. Army Medical Materiel Center, Europe (USAMMCE), the principal medical logistics supply point for the European theater, were effective. Proper safeguards existed on the large inventory of controlled drugs, and security measures were adequate. Security on controlled drug inventories at the two Air Force contingency hospitals was also good. However, we found that controls over the disposal of hazardous medical waste from USAMMCE and the two Air Force contingency hospitals needed improvement. The results of the audit are summarized in the following paragraph, and the details, audit recommendations, and management comments are in Part II of this report. This report quantifies no potential monetary benefits; however, other benefits are identified in Appendix C.

Internal control procedures used by USAMMCE and two Air Force contingency hospitals were not adequate or were not complied with to ensure the proper disposal of hazardous medical waste. In addition, adequate controls were not in place to ensure that DoD pays contractors the proper amount for disposal

of hazardous medical waste from USAMMCE. Consequently, the U.S. Government may be susceptible to German criminal or civil penalties for the improper disposal and destruction of hazardous medical waste. In addition, DoD may have overpaid the contractor for the disposal of medical waste from USAMMCE. We could not verify potential overbilling by the contractor due to the lack of supporting documentation. Recent procedures implemented by the Defense Reutilization and Marketing Region, Europe, will assist in resolving the overpayment problem (page 3).

As described above, the audit identified internal control weaknesses as defined by Public Law 97-255, Office of Management and Budget Circular No. A-123, and DoD Directive 5010.38; however, we do not consider the weaknesses material. Copies of this report will be provided to the senior officials responsible for internal controls within the Department of the Army and the Department of the Air Force.

On November 29, 1990, a draft of this report was provided to the Army and the Air Force for comments. The Army fully concurred with our recommendations to revise its regulation, to improve controls over contractor disposal of hazardous medical waste, and to amend a disposal contract. The Army's comments conformed to the requirements of DoD Directive 7650.3; therefore, no additional comments are required. As of February 28, 1991, the Air Force had not provided written comments on the draft report.

DoD Directive 7650.3 requires that all audit recommendations be resolved promptly. Therefore, the Air Force must provide comments on the recommendations within 60 days of the date of this final report. As required by DoD Directive 7650.3, the comments must indicate concurrence or nonconcurrence in the finding and each recommendation addressed to you. If you concur, describe the corrective actions taken or planned, the completion dates for actions already taken, and the estimated dates for completion of planned actions. If you nonconcur, you must state your specific reasons for each nonconcurrence. If appropriate, you may propose alternative methods for accomplishing desired improvements.

The courtesies extended to the audit staff are appreciated. If you have any questions on this audit, please contact Mr. Michael Joseph, on 703-693-0138 (AUTOVON 223-0138) or Mr. Richard Walsh, on 703-693-0161 (AUTOVON 223-0161). A list of

the audit team members is in Appendix E. Copies of the final report are being provided to the activities listed in Appendix F.

Robert J. Lieberman
Assistant Inspector General
for Auditing

Enclosure

cc:
Secretary of the Army
Secretary of the Air Force
Secretary of the Navy
Assistant Secretary of Defense (Health Affairs)
Director, Defense Logistics Agency
Deputy Commander in Chief, U.S. European Command

CLASS VIII MEDICAL MATERIEL CONTROLS
IN THE U.S. EUROPEAN COMMAND

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Prepared by:
Readiness and Operational
Support Directorate
Project No. 0RA-0003.01

CLASS VIII MEDICAL MATERIEL CONTROLS IN THE U.S. EUROPEAN COMMAND

PART I - INTRODUCTION

Background

Class VIII items are medical materiel including controlled and noncontrolled drugs, biologicals (living organisms or their toxic products, e.g., serums), reagents (blood related items, e.g., plasma), surgical dressings, and medical instruments. Some medical materiel has a prescribed shelf life after which its effectiveness or potency is reduced. Medical materiel is acknowledged not only for the benefits it provides, but also for the serious threats it can pose to human health and the environment. Class VIII medical materiel inventories are maintained as part of the U.S. war reserve stocks to ensure military readiness and to provide needed health care during wartime or contingencies. The U.S. Army Medical Materiel Command, Europe (USAMMCE), is the principal Class VIII medical materiel logistics support center for the Military Departments in the European theater. Class VIII medical materiel war reserves are also stocked at Air Force contingency hospitals.

Because of the large quantities required for war reserves, medical supplies cannot always be rotated into peacetime use. Outdated controlled drugs, noncontrolled drugs, biologicals, and reagents, as well as unserviceable medical instruments, are considered hazardous medical waste and usually require special disposition. Hazardous medical waste can be divided into four classes: controlled solids, controlled liquids, noncontrolled solids, and noncontrolled liquids. Controlled solids and liquids consist primarily of prescription drugs or other drugs that are considered dangerous and necessitate limited distribution. They must be destroyed in a manner that precludes the use of any portion of the item for any purpose. Noncontrolled solids and liquids consist primarily of nonprescription drugs, biologicals, and reagents. These items require special disposal, because they are hazardous to human health or the environment. Generally, outdated or unserviceable medical materiel is disposed of through a Defense Reutilization and Marketing Office.

DoD Manual 4160.21-M, "Defense Utilization and Disposal Manual," September 15, 1982, requires DoD installations to dispose of hazardous medical waste in an environmentally acceptable manner and in accordance with environmental and other pertinent laws and regulations. German Federal law sets the minimum standards for the handling and disposal of hazardous medical waste for the Federal Republic of Germany. The German Federal Government licenses hazardous waste transporters and disposal facilities. Neither the German Waste Law of August 27, 1986, nor the new

waste ordinances of April 3, 1990, contain provisions concerning civil liability for environmental damage resulting from noncompliance with provisions on the transportation and disposal of waste. However, the German Federal Supreme Court has ruled that although the waste is turned over to a contractor licensed by the German Federal Government for waste transportation or disposal, the producer is not relieved of all liability.

Office of Management and Budget Circular A-123, "Internal Control Systems," August 4, 1983, requires U.S. Government activities to establish and maintain internal controls on resources to provide reasonable assurance that assets are safeguarded against waste, loss, and unauthorized use. The Federal Managers' Financial Integrity Act of 1982 requires activities to periodically evaluate their internal control systems.

Objectives and Scope

The audit objectives addressed in this report were to evaluate whether control procedures for Class VIII medical materiel were effectively applied and whether stocked items were adequately safeguarded. Specifically, we determined whether control procedures were performed in accordance with applicable DoD and Service regulations. Inspector General Audit Report No. 90-112, "Class VIII Medical Materiel," September 25, 1990, addresses the other audit objectives to assess computation of medical war reserves, to evaluate on-hand medical supplies, and to determine the effectiveness of the Tri-Service Medical Logistics System-Europe.

We reviewed internal control procedures to safeguard controlled drugs and examined the disposal and destruction of hazardous medical waste at USAMMCE and two Air Force contingency hospitals in Germany. We focused our review on the disposal and destruction of hazardous medical waste. We examined contract, inventory, and billing documents related to hazardous medical waste disposal dated from November 1988 to February 1990. Our review was limited to Class VIII medical materiel war reserves, except when peacetime inventories were commingled with war reserves. We did not examine the Navy's medical materiel war reserves in the European theater because quantities were not significant.

This program audit was made from September 1989 through May 1990 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD, and accordingly included such tests of internal controls as were considered necessary. A list of activities visited or contacted is in Appendix D.

Prior Audit Coverage

We did not identify any reports issued within the past 5 years directly related to our audit objectives.

PART II - FINDING AND RECOMMENDATIONS

Adequacy of Internal Controls Over the Disposal of Hazardous Medical Waste

FINDING

Internal control procedures used by the U.S. Army Medical Materiel Center, Europe (USAMMCE), and two Air Force contingency hospitals were not adequate or were not complied with to ensure proper disposal of hazardous medical waste. In addition, adequate controls were not in place to ensure that DoD paid German contractors the proper amount for disposal of hazardous medical waste from USAMMCE. This condition occurred because Service regulations do not provide adequate guidance for contractor disposal and destruction of hazardous medical waste, and USAMMCE personnel did not provide itemized listings of hazardous medical waste or accurate shipment weights to the contractor for items picked up for disposal. As a result, the U.S. Government may be susceptible to German criminal or civil penalties for the improper disposal and destruction of hazardous medical waste. Additionally, the contractor may have overbilled the United States for disposal of hazardous medical waste. We could not verify the potential billing discrepancy due to the lack of supporting documentation.

DISCUSSION OF DETAILS

Background. Army Regulation 40-61, "Medical Logistics Policies and Procedures," August 1, 1989, requires that the commander of a medical or other activity appoint a disinterested officer as the destruction officer for medical materiel. The Regulation further requires that the destruction officer ensure that two representatives witness the destruction of medical materiel and issue a certificate of destruction, Department of the Army Form 3161 (DA Form 3161), "Request for Issue or Turn-In." The destruction officer certifies the accuracy of data on DA Form 3161.

Air Force Manual 67-1, Volume V, "USAF Supply Manual," November 30, 1987, requires that a disinterested individual be appointed as destruction officer for the destruction of medical materiel. The destruction officer will destroy the medical materiel in a manner that precludes the use of any portion for any purpose. In addition, the Manual specifies that two additional individuals who are not of a lesser grade than the destruction officer will witness the destruction. Also, the identity and quantity of items destroyed, the reason and authority for the destruction, and the manner and date of destruction must be certified by the destruction officer.

Disposal of Hazardous Medical Waste. The U.S. Government may be exposed to potential criminal or civil liability in Germany due to the disposal of hazardous medical waste by contractors. At USAMMCE and at the 609th Contingency Hospital, hazardous medical waste was transferred to a contractor for disposal. At the 610th Contingency Hospital, liquids were mixed together on-site by U.S. personnel. The mixture was then transferred along with controlled and noncontrolled solids to a contractor for disposal as hazardous medical waste. Neither USAMMCE nor the contingency hospitals had personnel present to witness destruction by the contractor. In addition, the contractor did not provide a certificate of destruction to USAMMCE and to one of the hospitals.

USAMMCE. The Frankfurt Contracting Center issued contract DAJA37-89-D-0070 to Sued-Muell-Transport, Germany, for the disposal of hazardous medical waste from USAMMCE during the period September 18, 1989, through March 18, 1990. The option to extend the contract to March 17, 1991, was exercised. The Defense Reutilization and Marketing Region-Europe is the Contracting Officer's Representative (COR) for this disposal contract. The contract required that the destruction of controlled items be witnessed by three U.S. representatives and that the contractor provide a certificate of destruction to the COR.

Controlled and noncontrolled liquids identified for disposal by USAMMCE were marked and taken to a controlled access building within the USAMMCE compound. Contractor personnel mixed the liquids in a contractor-furnished container. Although there is no clear guidance on whether mixing the liquids constituted destruction of the controlled liquids, the mixing process was not witnessed by USAMMCE representatives. Noncontrolled solids were left in their original packaging and placed into triwall, cardboard containers in preparation for contractor pickup. Controlled solids were identified on a packing list and stored separately within the security area at USAMMCE. The contractor was notified when a sufficient quantity was ready for shipment. Controlled and noncontrolled solids and the mixed liquids were destroyed off-site at an authorized hazardous waste disposal facility.

The destruction officer and two witnesses signed a statement that the medical waste was picked up by the contractor, and the contractor's driver signed for receipt of the shipment. However, the destruction officer and the two witnesses did not watch the contractor destroy the hazardous medical waste. In addition, the contractor did not provide a certificate of destruction to the COR.

U.S. Air Forces in Europe. We reviewed the hazardous medical waste disposal procedures at the 609th and 610th Contingency Hospitals in Zweibrucken and Wiesbaden, Germany, respectively. Because the quantities of hazardous medical waste were small, the contingency hospitals used nearby Air Force clinic or hospital disposal contracts. Air Force representatives did not witness contractor destruction of hazardous medical waste from the 609th or 610th Contingency Hospitals.

At the 609th Contingency Hospital, medical materiel authorized for destruction was placed in its original packaging inside contractor-furnished barrels. Barrels containing controlled hazardous medical waste were placed in a vault until pickup by the contractor. The destruction officer and two other U.S. representatives witnessed the controlled items being placed in the barrel and the barrel being sealed. The disposal contractor provided a receipt for the materiel picked up, and the destruction officer and two witnesses signed a certificate of destruction. In our opinion, the physical transfer did not constitute destruction. The contractor did not provide a certificate of destruction to confirm that the hazardous medical waste was destroyed.

At the 610th Contingency Hospital, the destruction officer mixed the controlled and noncontrolled liquids in containers provided by the disposal contractor. The destruction officer considered the liquids destroyed when mixed. Two additional U.S. representatives witnessed the mixing and signed the destruction certificate. Controlled and noncontrolled solid drugs were emptied from their original containers into the contractor's containers. The controlled solids were placed between two layers of noncontrolled solids. This process was witnessed by the destruction officer and the two other U.S. representatives, and a destruction certificate was signed by all three. In our opinion, the layering of the solids did not constitute destruction.

Clarification of Regulatory Requirements. To reduce the potential that the United States may be subject to criminal or civil liabilities, the Army and the Air Force need to revise regulations to establish controls over hazardous medical waste that is disposed of by contract. Current requirements in Army Regulation 40-61 and Air Force Manual 67-1 that U.S. representatives witness the destruction of hazardous medical waste are appropriate for on-site destruction; however, they are not practical when contractors perform the destruction. When the United States operated incinerators in Germany, the military facilities destroyed their hazardous medical waste on-site. The incinerators were taken out of use because they did not comply with German environmental requirements. The medical waste in Germany is now disposed of by contract. The disposal contractors

generally commingle the waste from several sources prior to destruction. As a result, it may be impossible for U.S. representatives to witness the destruction.

The Judge Advocate, U.S. Army, Europe, stated in a July 23, 1990, memorandum to the Legal Advisor, U.S. European Command (USEUCOM), that although current disposal procedures were considered to be in substantial compliance with Army Regulation 40-61, the procedures were not in compliance with U.S. regulatory requirements to witness the destruction. The Judge Advocate suggested that consideration be given to amending Army Regulation 40-61 to eliminate the witnessing requirement when controlled medical waste is disposed of by contract, provided the contract requires the contractor to furnish a certificate of destruction as a condition of payment.

We recognize that U.S. criminal and civil liability may not be completely eliminated when contractors dispose of U.S. generated hazardous medical waste. However, additional controls can be established to reduce that potential liability. Army and Air Force regulations should be revised to require that the contractor provide a certificate of destruction. In addition, the regulations should require follow-up procedures to determine the status of destruction actions when the certificate is not received with invoices for payment.

Discrepancies in Disposal Contractor Invoices at USAMMCE. We identified discrepancies in item description codes and shipment weights between the bills of lading and invoices submitted by the contractor. Disposal contract DAJA37-89-D-0070 with Sued-Muell-Transport requires that the contractor be provided an itemized list of the hazardous medical waste to be shipped indicating the item description code, stock number, nomenclature, and weight of the shipment.

Item Description. Bills of lading signed by contractor and USAMMCE personnel contain an item code describing the waste as noncontrolled solid, controlled solid, noncontrolled liquid, or controlled liquid. As of January 19, 1989, contract DAJA37-89-D-0070 rates per ton for the transportation and destruction of hazardous medical waste were 1,700 deutsche marks (about $1,000) for noncontrolled solids and 2,500 deutsche marks (about $1,470) for controlled solids and controlled and noncontrolled liquids. We compared the item codes on 40 bills of lading to the item codes on resulting contractor invoices for the period November 1988 through December 1989. For the period November 1, 1988, through January 18, 1989, rates for transportation and destruction were set in prior contract DAJA37-88-D-035. The rates on both contracts are shown in Appendix A. Our comparisons showed that the item codes listed on the billing invoices differed from the codes listed on 12 of

the 40 bills of lading. The difference indicated potential overbillings of $31,656 by the contractor (see Appendix A).

In March 1989, the contractor requested that USAMMCE provide itemized listings of hazardous medical waste to be picked up for destruction so that the contractor could properly comply with German requirements for disposal of hazardous medical waste. For the 40 invoices we reviewed, USAMMCE did not maintain detailed listings. Therefore, we could not verify the accuracy of the bills of lading or the invoices, and we are not recommending collection.

Shipment Weights. USAMMCE provided no shipment weights on 14 of the 40 bills of lading reviewed and estimated the weights on the 26 others. Our comparison of USAMMCE's estimated weights with those billed on the contractor's invoices identified differences of 28 metric tons. Because USAMMCE's weights were only estimates, we did not attempt to determine the effects on contractor invoices. Contract DAJA37-89-D-0070 requires that USAMMCE provide shipping weights to the contractor. However, contract DAJA37-90-D-0041, an existing Germany-wide medical waste disposal contract that will include USAMMCE beginning March 18, 1991, does not include a requirement to provide shipment weight to the contractor. Contract DAJA37-90-D-0041 should be modified to require USAMMCE to provide an accurate weight to the contractor or to require that the contractor use commercial scales to obtain the weights that are billed to USAMMCE.

In June 1989, the internal review office at USAMMCE recommended that USAMMCE obtain a scale to weigh shipments being picked up by the disposal contractor. The USAMMCE Commander concurred with the recommendation. However, as of May 1990, the scale had not been procured; the USAMMCE Commander indicated that the cost of an appropriate scale was prohibitive.

Reduction of Potential U. S. Liability. Although U.S. liability for the hazardous medical waste does not end when the waste is provided to the contractor for shipment and destruction, the Office of General Counsel, DoD, informed us that U.S. exposure to such liability can be reduced if the contractor is provided an accurate description of the hazardous medical waste to be destroyed. This procedure would allow the waste disposal facility to properly dispose of the described waste. The discrepancies between the bills of lading and the invoices for item description codes and shipping weights indicate that USAMMCE was not accurately describing the hazardous medical waste to be destroyed. In addition, for the 40 bills of lading reviewed, supporting documentation did not exist to verify that USAMMCE provided the contractor with itemized listings of hazardous medical waste to be destroyed. The USAMMCE Commander

should establish controls to ensure that the contractor is provided with an itemized listing of all items to be picked up for destruction.

Verification of Contractor Invoices. Before October 1989, the contractor submitted invoices to USAMMCE's Property Management Branch. USAMMCE personnel completed DD Form 250, "Materiel Inspection and Receiving Report," using the information provided on the contractor's invoice. As a result, both the item code classification and shipment weight shown on the DD Form 250 always agreed with the contractor's invoice. The DD Form 250 and invoices were forwarded to the Defense Reutilization and Marketing Region-Europe (DRMR-E) for payment. In October 1989, the contractor began submitting invoices directly to DRMR-E for payment. USAMMCE personnel completed the DD Form 250 using information provided on the original bill of lading and forwarded the approved DD Form 250 to DRMR-E for the COR's verification. When discrepancies were noted, the COR contacted USAMMCE to resolve the differences. Implementation of our recommendation to modify the disposal contract will result in accurate weights to perform the verification. In addition, our recommendation to provide the contractor with itemized listings of hazardous medical waste will provide the basis for verifying item description codes.

RECOMMENDATIONS FOR CORRECTIVE ACTION

1. We recommend that the U.S. Army and U.S. Air Force Surgeons General revise Army Regulation 40-61 and Air Force Manual 67-1, Vol. V, respectively, regarding contractor disposal of hazardous medical waste to require that:

a. Contractors certify to the destruction of hazardous medical waste as a condition for payment.

b. Follow-up measures be established to determine the status of destruction actions when certificates of destruction are not received with contractors' invoices for payment.

2. We recommend that the Commander, U.S. Army Medical Materiel Command establish controls to require that contractors are provided itemized listings of all hazardous medical waste picked up for destruction.

3. We recommend that the Contracting Officer at the U.S. Army, Europe, Frankfurt Contracting Center modify contract DAJA37-90-D-0041 to require that U.S. Army Medical Materiel Command, Europe, provide shipping weights for hazardous medical waste to the contractor or require that the contractor use commercial scales to obtain the weights billed on invoices.

MANAGEMENT COMMENTS

The Department of the Army concurred with the three recommendations and provided comments on actions proposed and target completion dates. The complete text of the comments is in Appendix B. As of February 28, 1991, the Air Force had not commented on the draft report.

SCHEDULE OF POTENTIAL CONTRACTOR OVERBILLINGS

Invoice No.	Date of Invoice	B/L No.[1/]	Weight[2/]	Contractor Calculated: Item Code Per Invoice[3/]	Contractor Calculated: Rate Per Metric Ton (DM)[4/]	Contractor Calculated: Contractor Invoice Charge (DM)	Auditor Estimate: Item Code Per B/L[5/]	Auditor Estimate: Rate Per Metric Ton (DM)	Auditor Estimate: Auditor Estimate (DM)	Difference: Contractor vs. Auditor Estimate (DM)
Contract DAJA37-88-D-035										
81291/WA	Nov. 30, 1988	315105	5,080 KG	5	300 [6/]	1,524	2	250 [6/]	1,270	254
81291/WA			5,080 KG	5	2,300 [7/]	11,684	2	1,260 [7/]	6,400	5,284
81291/WA		315106	780 KG	5	300	234	2	250	195	39
81291/WA			780 KG	5	2,300	1,794	2	1,260	983	811
81386/WA	Dec. 31, 1988	315210	4,500 KG	5	300	1,350	1	250	1,125	225
81386/WA			4,500 KG	5	2,300	10,350	1	1,260	5,670	4,680
81386/WA		970296	8,440 KG	5	300	2,532	1	250	2,110	422
81386/WA			8,440 KG	5	2,300	19,412	1	1,260	10,634	8,778
80020/WA	Jan. 31, 1989	315009	11,120 KG	5	300	3,336	1	250	2,780	556
80020/WA			11,120 KG	5	2,300	25,576	1	1,260	14,011	11,565
80020/WA		315295	1,120 KG	5	300	336	1	250	280	20
80020/WA			1,120 KG	5	2,300	2,576	1	1,260	1,411	1,165
Contract DAJA37-89-D-0070										
80641/WA	June 30, 1989	969963	4,620 KG	AA	1,700 [8/]	7,854	5/AA	2,500 [9/]	11,550	(3,696)
80641/WA		315208	11,460 KG	AB	2,500 [9/]	28,650	1	1,700 [8/]	19,482	9,168
80803/WA	Aug. 31, 1989	314733	6,640 KG	AB	2,500	16,600	2/AB	1,700	11,288	5,312
81061/WA	Oct. 31, 1989	314878	2,780 KG	AB	2,500	6,950	2/AB	1,700	4,726	2,224
81061/WA		314997	4,880 KG	AC	2,500	12,200	1/AC [10/]	1,700	8,296	3,904
80943/WA	Sept. 30, 1989	314914	3,880 KG	AB	2,500	9,700	2	1,700	6,596	3,104
Total										53,815 [11/]

See footnotes on next page.

SCHEDULE OF POTENTIAL CONTRACTOR OVERBILLINGS (CONTINUED)

1/ B/L = Bill of Lading

2/ KG = Kilogram; 1000 KG = 1 Metric Ton

3/ Description Codes: AA = Solid Noncontrolled; AB = Liquid Noncontrolled; AC = Solid Controlled; 5 = Critical Chemicals

4/ DM = Deutsche Mark, Conversion: 1,700 DM convert to about $1,000

5/ Item Codes: 1 = Solid; 2 = Quasi-Solid; 5 = Liquid (Alpha codes same as footnote 3)

6/ 300 DM and 250 DM represent the rate for transportation

7/ 2,300 DM and 1,260 DM represent the rate for disposal

8/ 1,700 DM is the rate for transportation and disposal

9/ 2,500 DM is the rate for transportation and disposal

10/ No controlled drugs were shipped according to U.S. Army Medical Materiel Center, Europe, personnel; thus, the noncontrolled rate was used in audit calculation

11/ 53,815 DM divided by 1.7 equals $31,656

DEPARTMENT OF THE ARMY
OFFICE OF THE SURGEON GENERAL
5109 LEESBURG PIKE
FALLS CHURCH, VA 22041-3258

REPLY TO
ATTENTION OF

24 JAN 1990

DASG-IRO

Thomas N. Bellamy
Lieutenant Colonel, GS
Military Assistant
OASA(MRA)
04 FEB 1991

MEMORANDUM THRU ~~CHIEF OF STAFF, ARMY~~
~~ASSISTANT SECRETARY OF THE ARMY (MANPOWER AND~~
RESERVE AFFAIRS)

FOR DIRECTOR, READINESS AND OPERATIONAL SUPPORT DIRECTORATE,
DEPARTMENT OF DEFENSE INSPECTOR GENERAL

SUBJECT: Draft Audit Report on Class VIII Medical Materiel in the U.S. European Command (Project No. ORA-0003.01)

1. My staff reviewed the subject report with considerable interest and found it to be very comprehensive. The report outlined constructive recommendations to assist in identifying areas to strengthen management control over stocked items and to enhance the accountability and followup on the status of the contractor's disposal of hazardous waste. OTSG concurs with the report and submits the enclosed comments.

2. Should you request further information, please contact our Internal Auditor, Mr. Samih Helmy at 756-0248.

FOR THE SURGEON GENERAL:

MC MC

Encl

FREDERICK N. BUSSEY
Major General, MC
Deputy Surgeon General

OTSG COMMENTS TO IGDOD DRAFT AUDIT REPORT
ON CLASS VIII MEDICAL MATERIEL IN
THE U.S. EUROPEAN COMMAND
(PROJECT NO ORA-0003.01)

RECOMMENDATION - 1: Concur. AR 40-61 will be revised to require contractors to certify the destruction of hazardous medical waste as a condition of payment. The regulation will mandate followup measures to determine the status of destruction action when certificates of destruction are not received with contractors' invoices for payment. Target date of completion is 31 October 1991.

RECOMMENDATION - 2: Concur. The Commander, U.S. Army Medical Materiel Center, Europe agreed to establish administrative controls to ensure that itemized listings of all hazardous medical waste picked up for destruction are provided to the contractors. Target date of completion is 30 August 1991.

RECOMMENDATIONS - 3: Concur. The contracting Office at the U.S. Army, Europe, was requested to modify applicable contracts and U.S. Army Medical Materiel Center, Europe will ensure that shipping weights for hazardous medical waste are being identified for accountability. Target date of completion is 1 October 1991.

SUMMARY OF POTENTIAL BENEFITS RESULTING FROM AUDIT

Recommendation Reference	Description of Benefit	Type of Benefit
1.a.	Allows for compliance with regulations, and improves internal controls over the disposal of hazardous medical waste.	Nonmonetary
1.b., 2., 3.	Provides for improved internal controls over the disposal of hazardous medical waste.	Nonmonetary

ACTIVITIES VISITED OR CONTACTED

Office of the Secretary of Defense

Office of the Assistant Secretary of Defense (Health Affairs), Washington, DC

Joint Staff

Headquarters, U.S. European Command, Stuttgart-Vaihingen, Federal Republic of Germany
- Command Surgeon, U.S. European Command, Stuttgart-Vaihingen, Federal Republic of Germany

Department of the Army

Headquarters, U.S. Army, Europe, Heidelberg, Federal Republic of Germany
- Headquarters, 7th Medical Command, Heidelberg, Federal Republic of Germany
  - U.S. Army Medical Materiel Command, Europe, Pirmasens, Federal Republic of Germany
- U.S. Army Contracting Center, Europe, Frankfurt, Federal Republic of Germany

Office of the Surgeon General of the Army, Washington, DC

Department of the Navy

Office of the Director of Naval Medicine, Surgeon General of the Navy
- Bureau of Medicine and Surgery, Washington, DC

Naval Medical Command, European Region, London, United Kingdom

Department of the Air Force

Office of the Surgeon General of the Air Force, Bolling Air Force Base, Washington, DC

Headquarters, U.S. Air Forces in Europe, Ramstein Air Base, Federal Republic of Germany
- 609th Contingency Hospital, Zweibrucken, Federal Republic of Germany
- 610th Contingency Hospital, Wiesbaden, Federal Republic of Germany

Defense Agencies and Activities

Defense Logistics Agency, Alexandria, VA

Defense Reutilization and Marketing Region - Europe, Lindsey Air Station, Federal Republic of Germany

AUDIT TEAM MEMBERS

William F. Thomas	Director, Readiness and Operational Support Directorate
Michael A. Joseph	Program Director, Materiel Readiness Division
Richard C. Walsh	Acting Project Manager
Walter L. Jackson	Team Leader
Louis F. Schleuger	Auditor
Kurt A. Clark	Auditor
James N. Baker	Auditor
Christa M. Long	Auditor

FINAL REPORT DISTRIBUTION

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Department of the Navy

Secretary of the Navy
Assistant Secretary of the Navy (Financial Management)
Naval Audit Service

Department of the Air Force

Secretary of the Air Force
Assistant Secretary of the Air Force (Financial Management and Comptroller)
Air Force Audit Agency

Defense Activities

Director, Defense Contract Audit Agency
Director, Defense Logistics Agency
Defense Logistics Studies Information Exchange

Non-DoD

Office of Management and Budget
U.S. General Accounting Office, NSIAD Technical Information Center
Environmental Protection Agency

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Congressional Committees:

Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Commerce, Science and Transportation
Senate Subcommittee on Environmental Protection, Committee on Environment and Public Works
Senate Subcommittee on Toxic Substances, Environmental Oversight, Research and Development, Committee on Environment and Public Works
Senate Committee on Foreign Relations
Senate Committee on Governmental Affairs
Senate Ranking Minority Member, Committee on Armed Services
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Ranking Minority Member, Committee on Appropriations
House Committee on Armed Services
House Subcommittee on Military Installations and Facilities, Committee on Armed Services
House Subcommittee on Readiness, Committee on Armed Services
House Environmental Restoration Panel, Committee on Armed Services
House Subcommittee on Health and Environment, Committee on Energy and Commerce
House Subcommittee on Transportation and Hazardous Materiels, Committee on Energy and Commerce
House Committee on Foreign Affairs
House Committee on Government Operations
House Subcommittee on Legislation and National Security, Committee on Government Operations
House Subcommittee on National Resources, Agriculture Research and Environment, Committee on Science, Space and Technology