June 5, 2003

Logistics

Followup Audit of Depot-Level Repairable Assets at Selected Army and Navy Organizations
(D-2003-098)

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Acronyms

AMC	Army Materiel Command
CAV	Commercial Asset Visibility
CECOM	Communications-Electronics Command
DDTP	Defense Depot Tobyhanna Pennsylvania
DLA	Defense Logistics Agency
DLR	Depot-Level Repairable
ICP	Inventory Control Point
IG DoD	Inspector General of the Department of Defense
NAVICP	Naval Inventory Control Point
NAVSUP	Naval Supply Systems Command

INSPECTOR GENERAL
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June 5, 2003

MEMORANDUM FOR ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)
DIRECTOR, DEFENSE LOGISTICS AGENCY
NAVAL INSPECTOR GENERAL
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Report on Followup Audit of Depot-Level Repairable Assets at Selected Army and Navy Organizations (Report No. D-2003-098)

We are providing this report for your information and use. We considered management comments on a draft of this report when preparing the final report.

Comments on a draft of this report 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 staff. Questions should be directed to Mr. Tilghman A. Schraden at (703) 604-9186 (DSN 664-9186) or Mr. Terry Wing at (215) 737-3883 (DSN 444-3883). See Appendix E for the report distribution. The team members are listed inside the back cover.

Thomas F. Gimble
for David K. Steensma
Deputy Assistant Inspector General
for Auditing

Office of the Inspector General of the Department of Defense

Report No. D-2003-098 **June 5, 2003**
(Project No. D2002LD-0142)

Followup Audit of Depot-Level Repairable Assets at Selected Army and Navy Organizations

Executive Summary

Who Should Read This Report and Why? Logistics personnel having a responsibility for materiel management of depot repairable assets should read this report. This report evaluates the Army and Navy control and accountability over depot-level repairable assets.

Background. The Army and Navy inventory control points manage secondary items identified as depot-level repairable (DLR) items. DLR items are identified during the item introduction process and represent those types of assets that can usually be economically repaired and returned to use. The value of DLR inventory from the DoD Supply System Inventory Report, September 30, 2001, was about $47.3 billion. Of the $47.3 billion, the Army and the Navy accounted for $24.2 billion (51 percent).

This followup report is an assessment of actions taken by the Army and Navy to implement recommendations previously reported in Inspector General of the Department of Defense Report No. 97-014, "Control Over the Return of Repairable Assets," November 1, 1996, and Naval Audit Service Report No. N2000-0007, "Recording Onhand Quantities of Aviation Depot Level Repairable Inventories at Commercial Contractor Repair Facilities," October 29, 1999. Inspector General of the Department of Defense Report No. 97-014 states that the Army did not adequately account for repairable assets in commercial repair facilities and in an Air Force storage depot. Naval Audit Service Report No. N2000-0007 states that the Navy did not implement an effective inventory accuracy program, to include monitoring in-transit inventory for aviation DLRs at commercial contractors, and that there was inadequate oversight to ensure that inventory balances recorded in inventory control point supply records were accurate.

Results. The Army and the Navy had taken actions to improve procedures and controls to account for DLRs. However, management needed to address several issues to further improve DLR accountability. The Army had not fully implemented the DoD-wide Commercial Asset Visibility system to improve DLR accountability at commercial contractor repair facilities and did not fully account for Communications-Electronics Command DLR inventory stored in a Defense Logistics Agency storage depot. The Navy did not properly monitor DLR in-transit inventory. As a result, the Army had no assurance that $2.73 billion of its DLR inventory at commercial contractors was properly accounted for, the Communications-Electronics Command had unrecorded inventory gains and losses of approximately $356.5 million, and Navy in-transit inventory was not effectively controlled. Unrecorded and uncontrolled inventory is vulnerable to loss, obsolescence, and theft. The Army also incurred unnecessary storage costs for obsolete and excess inventory stored in the Defense Logistics Agency depot system. The

deployment of the Commercial Asset Visibility system, reconciliations of inventory records, and physical inventories of items would further improve Army and Navy accounting for DLRs and correct the material weakness identified by this audit. (See the Finding section of the report for the detailed recommendations.)

Management Comments. The Army and Navy concurred with the recommendations; therefore, no further comments are required. See the Finding section of the report for a discussion of management comments and the Management Comments section of the report for the complete text of the comments.

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Background

The Army and Navy inventory control points (ICPs) manage secondary items identified as depot-level repairable (DLR) items. DLR items (for example, engines and motors) are identified during the item introduction process and represent those types of assets that can usually be repaired economically and returned to use. DLR items requiring repair are scheduled for repair or rework by depot repair facilities or commercial contractor repair facilities. The inventory value of DLR assets was about $47.3 billion as of September 30, 2001.* Of the $47.3 billion, the Army and the Navy accounted for $24.2 billion (51 percent).

Accounting For and Controlling Materiel. Inventory control is defined as the control of materiel by accounting and physical controls. Accounting control involves proper recording and reporting of inventories. Physical control incorporates adequate safeguards for receiving, storing, handling, and issuing materiel. Conducting a physical inventory by counting and physically inspecting the items tests the accounting and physical controls by validating an item's storage location, on-hand quantity, and condition.

Inventory control is needed to ensure that an adequate supply of materiel is on hand to maintain efficient levels of operation and to meet the demands of customers. Effective inventory control is also essential in disclosing defective and obsolete goods; preventing loss through damage, pilferage, or waste; ensuring inventory accuracy; and redistributing unused or excess materiel to meet other known requirements.

Commercial Asset Visibility System. The Commercial Asset Visibility (CAV) system is an automated system that provides real-time visibility of DLRs as they flow through a contractor's repair cycle. CAV is designed to provide specific asset tracking and accountability while materiel is in-transit either to or from a contractor's repair facility or located at the repair facility. CAV is managed by the Naval Supply Systems Command (NAVSUP) and is a standard DoD-wide system.

Inventory managers who are responsible for maintaining adequate repairable stock levels depend on timely and accurate information. Contractors must report transactions accurately and promptly for CAV to be effective. Transactions such as receipt and proof of shipment, which contractors provide, assist inventory managers in making decisions to repair assets, purchase new assets, or reallocate assets to satisfy requirements.

Prior Audit Reports. The Inspector General of the Department of Defense (IG DoD) and the Naval Audit Service each issued an audit report addressing weaknesses in controls over DLR assets.

IG DoD Report. IG DoD Report No. 97-014, "Control Over the Return of Repairable Assets," November 1, 1996, states that the Army and the Air Force did not adequately account for repairable assets in commercial repair facilities

*Source of inventory data is DoD Supply System Inventory Report dated September 30, 2001.

and in an Air Force storage depot. The IG DoD report did not address controls over DLRs in the Navy because the Naval Audit Service had planned a similar audit of DLRs. The Army and the Air Force concurred with IG DoD recommendations to establish standard procedures for contractors to report receipt transactions for DLR assets. The Army also agreed to include asset reporting requirements in commercial repair contracts and the Air Force agreed to update shipping data to preclude misdirected shipments of DLRs. The Air Force concurred with the recommendation to establish procedures for the Air Force Sacramento Air Logistics Center to electronically report any Army wholesale inventory stored at that depot to the appropriate Army ICP. However, the Army requested that this recommendation be redirected to the Defense Logistics Agency (DLA) for action because DLA had assumed management of the DoD storage depots from the Military Departments.

Naval Audit Service Report. Naval Audit Service Report No. N2000-0007, "Recording Onhand Quantities of Aviation Depot Level Repairable Inventories at Commercial Contractor Repair Facilities," October 29, 1999, states that the Navy did not implement an effective inventory accuracy program, to include monitoring in-transit inventory for aviation DLRs at commercial contractors, and that there was inadequate oversight to ensure that inventory balances recorded in ICP supply records were accurate. The Navy concurred with the recommendations by the Naval Audit Service to improve the Naval Inventory Control Point (NAVICP) inventory accuracy program for aviation DLRs at commercial contractors. The Navy agreed to oversee aviation DLRs at commercial repair facilities by using in-transit stock information to monitor the accuracy of recorded balances of aviation DLRs and that the NAVICP would implement the Inventory Accuracy Officer Program to improve DLR accountability. Naval Audit Service also recommended that the NAVICP use the Inventory Accuracy Officer Program to monitor contractors who report inventory transactions in an untimely manner, request assistance from contract administration personnel in resolving in-transit transactions, and include asset reporting requirements as a separate line item in commercial repair contracts.

Audit Focus. The audit focused on specific actions taken by the Army and Navy to implement recommendations reported in IG DoD Report No. 97-014 and Naval Audit Service Report No. N2000-0007. For the Army, we evaluated actions taken to implement recommendations to improve DLR accountability at selected commercial repair facilities and to account for wholesale inventory that was managed by the Army Communications-Electronics Command (CECOM) and stored in the DLA Defense Depot Tobyhanna Pennsylvania (DDTP). For the Navy, we evaluated actions taken to implement an effective inventory accuracy program, which included monitoring in-transit inventory for DLRs at commercial contractors, and management oversight to ensure that the inventory balances recorded in supply records were accurate. We did not evaluate the Army in-transit inventory because it was not addressed in IG DoD Report No. 97-014 and because the Army Audit Agency issued Report No. A-2002-0304-AMW, April 19, 2002, which addresses in-transit inventory.

We also excluded an evaluation of the actions taken by the Air Force to implement recommendations in IG DoD Report No. 97-014 because the General Accounting Office Report No. GAO-02-717, "Air Force Needs to Improve Control of Shipments to Repair Contractors," July 2002, addresses problems with Air Force controls over DLR shipments to repair contractors. Additionally, the Air Force Audit Agency had an ongoing audit that was started in June 2001, which addressed controls over in-transit DLR inventory. See Appendix D for a discussion on other matters of interest concerning the Air Force coverage.

Objective

Our overall audit objective was to evaluate the processes used by the Military Departments to recover or otherwise account for DLR assets. This followup report discusses the Army and the Navy implementation of recommendations reported in IG DoD Report No. 97-014 and Naval Audit Service Report No. N2000-0007. We also reviewed Army and Navy management control programs as they applied to the audit objectives. See Appendix A for a discussion of the scope and methodology and our review of the management control program. See Appendix B for prior coverage related to the objective.

Depot-Level Repair Asset Visibility

The Army and the Navy had taken actions to improve procedures and controls to account for DLRs. However, management needed to address several issues to further improve DLR accountability. The Army had not fully implemented the DoD-wide CAV system to improve DLR accountability at commercial repair facilities and did not fully account for CECOM DLR inventory stored in DDTP. The Navy did not properly monitor DLR in-transit inventory. Those conditions occurred because of limited resources to implement the Army CAV system, CECOM noncompliance with procedures to annually reconcile its inventory records with DDTP storage records, and the lack of management information and oversight to properly monitor Navy in-transit inventory. As a result, the Army had no assurance that $2.7 billion of its DLR inventory at commercial contractors was properly accounted for, CECOM had unrecorded inventory gains and losses valued at approximately $356.5 million, and Navy in-transit inventory was not effectively controlled. Unrecorded and uncontrolled inventory is vulnerable to loss, obsolescence, and theft. Additionally, the Army incurred unnecessary storage costs for obsolete inventory stored in the DLA depot system.

Guidance on Item Accountability

DoD Regulation 4140.1-R. DoD Regulation 4140.1-R, "DoD Management Regulation," May 1998, provides policies and guidance for item accountability, control, and stewardship. The Regulation states that integrated materiel managers are responsible for initiating and directing physical inventories, resolving inventory discrepancies, and taking applicable actions necessary to ensure that the physical on-hand quantity and the property record quantity are in agreement for all DoD materiel that is not in the physical custody of DoD organizations. The Regulation further states that the storage organizations shall conduct physical inventories; initiate and conduct research to resolve discrepancies; prepare supply discrepancy reports; and ensure that the physical on-hand quantity and the total item property record quantity are in agreement.

DoD Manual 4000.25-2-M. DoD Manual 4000.25-2-M, "Military Standard Transaction Reporting and Accounting Procedures," March 28, 2002, requires annual location reconciliations. The location reconciliation is essentially a match between the storage facility's records and the owner's records. The purpose of the location reconciliation is to identify and correct situations when there is an owner record with no corresponding storage facility record, when there is a storage facility record with no corresponding owner record, when there are common elements of data that do not match, or when there are quantity discrepancies. The annual location reconciliation is essentially a system-to-system comparison of asset balances, as recorded in storage facilities' and owners' records.

The Manual further states that when location reconciliation discrepancies are unresolved, the owners' records are adjusted to bring the ICP asset balances in line with the storage location records and that causative research will be performed to resolve discrepancies that meet specified criteria (for example, classified or sensitive items, pilferable items, and discrepancies of $16,000 or greater). Causative research includes researching the records of the owner and the storage organization and, in some instances, depending on the dollar value of the discrepancy or if the item is classified, sensitive, or pilferable, performing a special physical inventory. A special physical inventory is performed at a location whenever preliminary record checks or tests do not resolve discrepancies and the breach of certain criteria, such as dollar thresholds or item type, dictate the need.

Army Regulation 740-26. Army Regulation 740-26, "Physical Inventory Control," November 19, 2001, implements DoD asset management requirements. The Regulation states that the Commander, U.S. Army Materiel Command (AMC) is responsible for providing command emphasis on the physical inventory control program, furnishing the resources to ensure compliance, and evaluating the performance and effectiveness of the inventory and location systems. The Regulation further requires that the annual location reconciliation includes a match of the quantity and condition of the materiel.

Naval Supply Systems Command Publication 723. Navy property accountability policies, procedures, and practices are set forth in NAVSUP Publication 723, "Navy Inventory Integrity Procedures," April 19, 2000. The Publication describes the broad requirements of the control over repairable items and indicates that an item is to be classified as in-transit inventory when there is either a recorded issue in the Navy supply system with no corresponding receipt or a recorded receipt with no corresponding issue. The Publication further states that if a receipt and an issue cannot be matched within 6 months, the NAVICP Commander can reduce, or write-off, the value of the in-transit inventory from accounting and supply records. However, the Publication states that certain items must be reviewed before the in-transit inventory is written off. Those items fall into three categories: classified and sensitive, pilferable, and unclassified. Classified and sensitive items must be reviewed, regardless of the in-transit dollar value. Pilferable and unclassified items must be reviewed only if the in-transit dollar value exceeds $2,500 for pilferable items or $15,000 for unclassified items.

Review of the Army

The Army had taken actions to improve procedures and increase controls for DLR inventory. However, the Army had not fully implemented the CAV system to address the DLR accountability problems reported in IG DoD Report No. 97-014 and did not fully account for CECOM DLR inventory stored in DDTP.

Commercial Repair Facilities. The Army had improved procedures and controls for accounting for DLRs at commercial repair facilities; however, it had not fully implemented the CAV system to address the DLR accountability problems reported in IG DoD Report No. 97-014. IG DoD Report No. 97-014

states that the Army did not adequately account for DLRs, primarily because it did not have standard procedures for contractors to report the receipt of repairable assets. In a September 1996 response to the report, the Army stated that it was in the process of developing a CAV system that would provide the required information to properly account for repairable assets. Implementation of CAV was scheduled for FY 1998. As a first step, in May 1997, the AMC directed its major subordinate commands to include a reporting provision in new commercial repair contracts that requires contractors to report the receipt and issue of repairable assets.

Army CAV program office personnel stated that, because of limited resources (funding and personnel), the Army has not fully implemented the CAV system, and the goal is to have 80 percent of the dollar value of commercially repaired assets included in the CAV system by FY 2008. The CAV deputy program manager stated that as of August 2002, the Army CAV system had been deployed to only 48 contractors—32 percent of the estimated 150 contractor repair facilities that will eventually use the CAV system. Also, the dollar value of DLRs at contractor repair facilities not included in the CAV system was approximately $2.7 billion (82 percent) of the $3.3 billion in total value for DLRs at commercial repair facilities. According to the CAV deputy program manager, initial fielding of the CAV system was directed to smaller commercial repair facilities in order to refine the CAV learning process. Contractors were being selected for inclusion in the CAV system based on a number of factors, including length of DLR repair contract (starting with those contracts nearing renegotiation and renewal), dollar value, and quantity of assets.

The Army had deployed the CAV system only to commercial repair facilities with 18 percent (about $600 million) of the total value of DLR inventory. We did not evaluate the implementation of the CAV system at those Army commercial facilities because our review of the Navy system indicated that, if properly executed, the CAV system provides controls to properly account for DLR inventory. The Naval Audit Service Report No. N2000-0007 did not identify any material problems with implementing the CAV system in the Navy. However, until the Army fully implements the CAV system at the balance of commercial repair facilities, it has no assurance that the DLR accountability problems identified in IG DoD Report No. 97-014 have been corrected and that the $2.7 billion of non-CAV DLRs is properly accounted for.

CECOM Assets Stored at DDTP. The Army did not have control of DLRs managed by CECOM and stored at DDTP, because CECOM had not performed the required annual location reconciliation between its inventory records and DDTP storage records. Army and DLA personnel informed us that the reconciliation had not been performed for at least 5 years because of a 1997 memorandum of agreement between the Army and DLA. The agreement was reached because DDTP did not have the capability to track communication and security assets by serial number in the Distribution Standard System. DDTP uses the Distribution Standard System to maintain perpetual inventory records and provide ICPs with updated inventory data on quantity, ownership, and condition of materiel stored in the depot.

As of January 2003, DDTP did not have the capability to track communication and security assets by serial number. DDTP personnel stated that a system modification to track those assets by serial number was in process, but had not been completed. We found that the 1997 memorandum of agreement did not differentiate between communication and security assets, which require a serial number, and other assets that do not require a serial number for tracking purposes. We found that the non-communication and security assets had not been reconciled, which we discussed with the AMC inventory action officer. He stated that he was unaware the reconciliations had not been done and as a result of our audit, he directed that a reconciliation be done in accordance with DoD 4000.25-2-M.

The reconciliation was performed in October 2002 and showed that CECOM did not meet the location record accuracy goal of 97 percent, as prescribed in DoD 4000.25-2-M. Of the 27,076 records reconciled, 19,361 records (72 percent) matched and 7,715 records (28 percent) had quantity mismatches. Data provided by CECOM showed that the value of CECOM inventory records adjusted as a result of the quantity mismatches was $356.5 million. There were 3,487 gain adjustments totaling $183 million and 4,228 loss adjustments totaling $173.4 million.

AMC personnel stated that CECOM was directed to review the mismatches and develop a corrective action plan. In response to the AMC direction, CECOM agreed to conduct causative research to validate the adjustments on selected high dollar value adjustments that resulted from the reconciliation. AMC personnel indicated that they would use the results of the research to provide corrective actions, such as additional controls, guidance, or training, to improve accountability.

CECOM personnel stated that the adjustments did not appear to have had much impact on readiness because no backorders were filled as a result of the inventory gains. They also said that although they were not certain, they did not believe the inventory losses had resulted in any procurement actions. They further stated that only two or three item managers had even inquired about the inventory losses.

We judgmentally selected for review 50 items, with inventory adjustments totaling $176.8 million (about 50 percent of the $356.5 million of inventory adjusted), to see whether the CECOM contention that the adjustments had no significant impact on readiness was valid. Our review indicated that the CECOM contention was valid. Of the 50 items reviewed, 6 items were terminal or obsolete, 17 items had decreasing requirements and their stocks were in excess, and 9 items supported other items that were being replaced. CECOM should determine whether items are obsolete or in excess before initiating further actions involving this inventory.

The Army was paying DLA storage fees for DLR items that were stocked at DLA depots. In FY 2003, DLA estimated that Army storage costs would be about $100 million. Of the $100 million, $15 million was for DLRs stored at DDTP. From the results of our review, it was apparent that the Army was paying DLA storage fees for items that were obsolete or excess.

AMC Oversight of DLR Materiel in Storage. The lack of AMC oversight of Army-owned assets in storage at DDTP contributed to the lack of DLR visibility. Army Regulation 740-26 states that AMC is responsible for evaluating the performance and effectiveness of the inventory and the location systems in terms of the responsiveness to materiel management requirements. Materiel management requirements include determining whether annual location reconciliations are scheduled and performed. Because AMC personnel said they were unaware that a location reconciliation between CECOM and DDTP was not being performed annually, controls needed to be established so that AMC can verify that annual reconciliations are performed.

Review of the Navy

Naval Audit Service Report No. N2000-0007 did not identify any material problems with the CAV system and the Navy had taken actions to improve procedures and controls to account for DLRs (see Appendix C). However, the Navy needed to take additional actions to further improve the monitoring and oversight of in-transit inventory.

Commercial Repair Facilities. The Navy had taken actions to improve procedures and controls to account for DLR inventory at commercial repair facilities. Naval Audit Service Report No. N2000-0007 states that NAVICP did not implement an effective inventory accuracy program for aviation DLRs at commercial repair facilities and that NAVSUP did not provide adequate oversight to ensure that NAVICP recorded inventory balances were accurate. NAVICP inventory records were inaccurate primarily because contractors did not report supply transactions as the transactions occurred, and NAVICP procedures were ineffective in enforcing contractual reporting requirements.

We consider the actions taken by the Navy to be responsive to addressing the accountability problems noted in the prior Navy audit. To test DLR accountability in NAVICP records, we reviewed a judgment sample of 452 receipt and issue transactions, which involved 2,114 items and 25 commercial repair facilities that were processed through the Defense Automatic Addressing System (the DoD automated system that routes logistics transactions among organizations), from December 2001 through May 2002. Except for five transactions involving eight items valued at about $24,700, all materiel was properly accounted for. In addition, we visited two commercial repair facilities to determine whether materiel on-hand at the facilities was properly recorded in NAVICP records. At the first facility, we judgmentally sampled 21 items that were all properly recorded in the NAVICP records. At the second facility, we judgmentally sampled 56 items and determined that 19 items were not properly accounted for in the NAVICP records. Problems included unrecorded issues in the tracking system and inaccurate reporting by the contractor on the disposal of scrap items. The Navy was aware of those problems and agreed to take corrective actions to ensure that items were properly recorded.

In-Transit Inventory. The Navy needs to take additional actions to further improve the monitoring and oversight of in-transit inventory. As of

September 2002, NAVICP financial records showed that aviation in-transit inventory was $1.1 billion.

To research and reduce reported in-transit inventory, the NAVICP uses both Navy and contractor personnel. Contractor personnel generally research transactions that are in-transit 274 days and over, and Navy personnel generally research transactions that are in-transit 273 days and under. The statement of work for a 1-year contract awarded in February 2003 to Resources Consultants Incorporated, states that the contractor is required to provide status reports to the Navy, twice a month. The contract requires reports to categorize accomplishments by the age of the in-transit at closure of the research, and to include current accomplishments and project-to-date totals. NAVICP intends to use the reports to enact software modifications and identify problems that prevent accurate issue and receipt reporting. No such requirement for that type of reporting is provided for the in-transit research done by Navy personnel. Such information would assist the inventory accuracy officer in monitoring in-transit inventory, not only for evaluating the work done by the Navy personnel, but also in evaluating the overall effort to reduce in-transit inventory.

In reviewing the process that the Navy used to research and review in-transits, we identified in-transits that met the review criteria in NAVSUP Publication 723 but were not reviewed by the Navy before writing the in-transits off as losses. For FY 2002, there were 570 in-transits valued at $23.6 million that were written off as in-transit losses, without the required review. Of the 570 in-transits, 410 items valued at $13.3 million were classified as pilferable. The Navy needs to establish controls to ensure that all in-transits written off as losses are properly reviewed.

Management Comments on the Finding

The Navy concurred with those portions of the finding applicable to the Navy. The Navy stated that it recognizes the importance of DLR and in-transit accountability and has improved existing processes, enhanced automated tools, increased staffing, and hired contractor labor to aid with the analysis and resolution of open in-transit documents. The Navy further stated that in-transits are a top priority within the NAVICP and will continue to be monitored as such.

Recommendations and Management Comments

1. We recommend that the Commander, Army Materiel Command:

a. Expedite funding and the deployment of the Commercial Asset Visibility system to Army commercial repair facilities. Funding and deployment should be prioritized based primarily on the dollar value of repairable assets at the commercial repair facilities.

Management Comments. AMC concurred, stating that it has established a CAV II project office and has requested funding to enable improved visibility of DLRs at commercial facilities based on the dollar value of the DLRs at each facility.

b. Perform oversight of compliance with DoD 4000.25-2-M, "Military Standard Transaction Reporting and Accounting Procedures," March 28, 2002, to conduct annual location reconciliations between inventory control point records and storage depot records.

Management Comments. AMC concurred, stating that it now schedules and oversees annual reconciliation location audits between all AMC Inventory Materiel Management Centers and worldwide storage sites.

2. We recommend that the Commander, Communications-Electronics Command:

a. Determine whether the items with inventory records that were adjusted as a result of the October 2002 reconciliation between the Communications-Electronics Command and the Defense Depot Tobyhanna Pennsylvania are obsolete or excess to requirements. That determination should be made before requesting special inventories or performing other costly causative research procedures.

Management Comments. CECOM concurred, stating that it has established procedures to identify terminal items in its inventory adjustment review process to avoid causative research actions that could be better focused on assets affecting readiness.

b. Dispose of those assets that are identified as obsolete or excess to projected requirements.

Management Comments. CECOM concurred, stating that it has had a series of meetings with AMC concerning the funding and disposition of dormant and excess materiel at DLA sites. Listings have been provided to the DDTP Commander for prioritization of those national stock number items that would free up the most storage space.

3. We recommend that the Commander, Naval Inventory Control Point:

a. Develop in-house procedures to provide management information reports to the inventory accuracy officer, comparable to the management information reports required in the February 2003 contract awarded to Resources Consultant Incorporated, to assist in reducing in-transit inventory.

Management Comments. NAVICP concurred, stating that it has developed new statistical metric reports for the inventory accuracy office to monitor all portions of stock in-transit. Additionally, customer training and metrics briefings to the Commander NAVICP and Commander NAVSUP will result in total asset in-transit visibility as well as financial accountability for in-transit assets.

b. Establish controls to ensure that all in-transit items that meet the criteria in Naval Supply Systems Command Publication 723, "Navy Inventory Integrity Procedures," April 19, 2000, are reviewed prior to writing them off as an inventory loss.

Management Comments. NAVICP concurred, stating that it will recommend that NAVSUP Publication 723 be revised to further clarify the requirements for adequately completing a review for all categories of in-transits. NAVSUP Publication 723 is under revision for release in the summer of 2003.

Appendix A. Scope and Methodology

We reviewed procedures and guidance regarding control of repairable assets. We performed the review at AMC, Army CECOM, the Tobyhanna Army Depot; NAVSUP, NAVICP (Philadelphia and Mechanicsburg, Pennsylvania offices); and DDTP. We also contacted personnel at the Air Force Air Logistics Centers at Ogden, Utah; Warner Robins, Georgia; and Oklahoma City, Oklahoma; DLA headquarters; Defense Distribution Center headquarters; and commercial contractors that support the Army and Navy DLR accountability programs or repairing DLRs. However, we limited the scope of our review at Air Force organizations and referred additional audit work to the Air Force Audit Agency. We also did not validate CAV deployment data provided by the Army. We performed this audit from May 2002 through March 2003 in accordance with generally accepted government auditing standards. The documents we reviewed included DoD, Army, and Navy guidance, ICP supply and financial records, commercial contracts, and depot storage records that were dated from November 15, 1994, through January 16, 2003.

To determine whether CECOM-managed repairable assets stored at DDTP were properly recorded on CECOM inventory records, we physically inventoried judgmentally selected items stored at DDTP. We also used the results of an AMC directed October 2002 reconciliation between CECOM inventory records and DDTP storage records as a basis for evaluating the Army's control and visibility over repairable assets.

To evaluate the NAVICP control of DLRs, we reviewed a judgmental sample of 452 receipt and issue transactions involving commercial repair facilities to determine whether the transactions were properly accounted for on NAVICP records. The transactions we reviewed were processed through the Defense Automatic Addressing System from December 2001 through May 2002. In addition, we visited two commercial repair facilities to determine whether materiel on-hand at the facilities was properly recorded on NAVICP records. To evaluate NAVICP in-transit inventories, we analyzed in-transit databases to determine which items required review before being written off as lost in-transit, and we discussed procedures used to research in-transit transactions with NAVICP and contactor personnel.

Use of Computer-Processed Data. We relied on computer-processed data from the Army Commodity Command Standard System, the Army Standard Depot System, the DLA Distribution Standard System, the Defense Automatic Addressing System, and the NAVICP CAV system. The data used for this audit came from databases of CECOM managed assets, NAVICP DLR assets, stock in-transit files, transaction history files, receipt and issue transactions, and asset balance and location records. To the extent we reviewed the data, we did not find errors that would preclude use of the data to meet the audit objective, or which would change the conclusions in this report.

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

Management Control Program Review

DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, and DoD Instruction 5010.40, "Management Control (MC) Program Procedures," August 28, 1996, requires 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 those controls.

Scope of the Review of the Management Control Program. We reviewed the adequacy of Army and Navy management controls used to recover or otherwise account for DLR assets. We reviewed Army and Navy self-evaluations applicable to those controls.

Adequacy of Management Controls. As defined by DoD Instruction 5010.40, we identified a material management control weakness at the Army. The Army did not have control and accountability of DLRs. Recommendation 1. in this report, if implemented, will correct the material weakness identified by this audit. A copy of the report will be provided to the senior official responsible for management controls in the Army.

Adequacy of Management's Self-Evaluation. The Army did not identify deploying the CAV or reviewing compliance with the requirement of DoD 4000.25-2-M for annual location reconciliations as assessable units and, therefore, it did not identify or report the material management control weakness identified by the audit.

Appendix B. Prior Coverage

During the last 7 years, the General Accounting Office, the IG DoD, the Army Audit Agency, and the Naval Audit Service have issued reports discussing controls over repairable assets. The General Accounting Office issued eight reports, the IG DoD issued two reports, the Army Audit Agency issued one report, and the Naval Audit Service issued one report. Unrestricted General Accounting Office reports can be accessed over the Internet at http://www.gao.gov. Unrestricted IG DoD reports can be accessed at http://www.dodig.osd.mil/audit/reports.

General Accounting Office

GAO Report No. 02-617, "Air Force Needs to Improve Controls of Shipments to Repair Contractors," July 2002

GAO Report No. 01-30, "Implementation Plans to Enhance Control Over Shipped Items Can Be Improved," November 2000

GAO Report No. OSI/NSIAD-00-243R, "Status of Navy Initiatives to Improve Its In-Transit Inventory Process," August 2000

GAO Report No. NSIAD 00-109, "Army Needs to Strengthen and Follow Procedures to Control Shipped Items," June 2000

GAO Report No. NSIAD 00-39, "Plan to Improve Management of Shipped Inventory Should Be Strengthened," February 2000

GAO Report No. OSI/NSIAD 00-61, "Breakdown of In-Transit Inventory Process Leaves it Vulnerable to Fraud," February 2000

GAO Report No. NSIAD-99-61, "Navy's Procedures for Controlling In-Transit Items Are Not Being Followed," March 1999

GAO Report No. NSIAD-98-80R, "Department of Defense In-Transit Inventory," February 1998

IG DoD

IG DoD Report No. 99-174, "Depot-Level Repair of Foreign Military Sales Items," June 3, 1999

IG DoD Report No. 97-014, "Control Over the Return of Repairable Assets," November 1, 1996

Army

Army Audit Agency Report No. A-2002-0304-AMW, "Selected Internal Controls Over Inventory," April 19, 2002

Navy

Naval Audit Service Report No. N2000-0007, "Recording Onhand Quantities of Aviation Depot Level Repairable Inventories at Commercial Contractor Repair Facilities," October 29, 1999

Appendix C. Navy Actions to Improve Accountability of DLRs

In response to Naval Audit Service Report No. N2000-0007 and several General Accounting Office reports, the Navy took the following actions to improve the accountability and oversight of DLRs:

- developed a program to identify organizations that did not report receipt and issue transactions in a timely manner;

- developed a report to identify contractors that did not report inventory transactions in a timely manner and established procedures to disseminate the report to contracting officers for appropriate action;

- hired a contractor to research overage in-transits;

- held meetings with DLA, Navy organizations, and contractors to address problems with receipt and issue reporting;

- included a clause in commercial repair contracts to require contractors to submit supply transactions as they occur;

- increased the number of contractors and the dollar value of inventory in the CAV system (of 360 contractors with DLRs valued at about $5.3 billion, there were 304 [84.4 percent] contractors with inventory valued at $5.1 billion [96 percent] as of September 2002);

- initiated a program that provides for a single carrier to pick up and deliver DLRs (this program assists the Navy in obtaining issue and receipt documents to resolve in-transits);

- performed complete inventories at 25 commercial repair facilities to ensure that DLRs were properly accounted for; and

- revised local NAVICP guidance to properly implement the Inventory Accuracy Officer Program.

Appendix D. Other Matters of Interest

This report follows up on IG DoD Report No. 97-014, which discusses Army and Air Force controls over the return of repairable assets to the supply system, and on recommendations made in Naval Audit Service Report No. N2000-0007. This report does not include the Air Force because in July 2002 the General Accounting Office issued GAO Report No. 02-617 addressing problems with Air Force controls over shipments to repair contractors. The Air Force Audit Agency also began an audit in June 2001 on the visibility and control over in-transit inventories (Project No. 01061026). The overall objective of that audit was to evaluate the effectiveness of asset shipment and receipt processing. The audit was canceled in February 2003 because workload priorities and personnel changes prevented issuing an audit report in a timely manner. However, issues addressed in the audit were considered important and the Air Force Audit Agency believes that several in-transit issues need to be addressed and revalidated in a future Air Force-wide audit.

In our followup audit on IG DoD Report No. 97-014, we noted a problem related to DLR accountability for Air Force items stored at DDTP. We found discrepancies between DDTP stock balances and Air Force inventory records. The Air Force personnel we spoke with concerning those discrepancies stated that, because of system problems, the Air Force had not performed the required location reconciliations with DDTP to identify discrepancies between depot and ICP inventory records. We advised the Air Force Audit Agency of the omission of location reconciliations for consideration in future audits.

Appendix E. Report Distribution

Office of the Secretary of Defense

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

Department of the Army

Assistant Secretary of the Army (Financial Management and Comptroller)
Commander, U.S. Army Materiel Command
    Commander, Communications-Electronics Command
Auditor General, Department of the Army

Department of the Navy

Assistant Secretary of the Navy (Manpower and Reserve Affairs)
Commander, Naval Supply Systems Command
    Commander, Naval Inventory Control Point
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

Other Defense Organizations

Director, Defense Logistics Agency

Non-Defense Federal Organization

Office of Management and Budget

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
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 and Financial Management, Committee on Government Reform
House Subcommittee on National Security, Emerging Threats and International Relations, Committee on Government Reform
House Subcommittee on Technology and Information Policy, Intergovernmental Relations, and the Census, Committee on Government Reform

Department of the Army Comments

DEPARTMENT OF THE ARMY
HEADQUARTERS, U.S. ARMY MATERIEL COMMAND
5001 EISENHOWER AVENUE, ALEXANDRIA, VA 22333 - 0001

REPLY TO
ATTENTION OF

AMCIR (36-2A) 12 May 2003

MEMORANDUM FOR MS. BETH CASARIO, CHIEF, THE ARMY AUDIT LIAISON OFFICE, U.S. ARMY AUDIT AGENCY, 3101 PARK CENTER DRIVE, ALEXANDRIA, VA 22302-1596

SUBJECT: DODIG Draft Report on Follow-up Audit of Depot-Level Repairable Assets at Selected Army and Navy Organizations (AMC No. D0218)

1. We are enclosing our position on subject report IAW AR 36-2. HQ AMC and CECOM Command Comments are addressed at Enclosures 1 and 2. Please note HQ AMC provides an additional comment for CECOM's Command Comment 2b.

2. Point of contact for this action is Ms. Mela Gracia, (703) 617-7858, e-mail-mgracia@ hqamc.army.mil.

FOR THE COMMANDER:

Encls
as

ARCHIE B. FORD
Chief, Internal Review and
Audit Compliance Office

HEADQUARTERS
U.S. ARMY MATERIEL COMMAND
5001 EISENHOWER AVENUE
ALEXANDRIA, VA 22333-0001

DODIG DRAFT REPORT D2002LD-0142, FOLLOWUP AUDIT OF DEPOT-LEVEL REPAIRABLE ASSETS AT SELECTED ARMY AND NAVY ORGANIZATIONS (AMC NO. D0218)

FINDING: DEPOT-LEVEL REPAIR ASSET VISIBILITY
The Army and the Navy had taken actions to improve procedures and controls to account for Depot Level Repairables (DLRs). However, management needed to address several issues to further improve DLR accountability. The Army had not fully implemented the DOD-wide Commercial Asset Visibility (CAV) system to improve DLR accountability at commercial repair facilities and did not fully account for CECOM DLR inventory stored at the Defense Depot Tobyhanna Pennsylvania (DDTP). The Navy did not properly monitor DLR in-transit inventory. Those conditions occurred because of limited resources to implement the Army CAV system, CECOM noncompliance with procedures to annually reconcile its inventory records with DDTP storage records, and the lack of management information and oversight to properly monitor Navy in-transit inventory. As a result, the Army had no assurance that about $2.7 billion of its DLR inventory at commercial contractors was properly accounted for, CECOM had unrecorded inventory gains and losses valued at approximately $356.5 million, and Navy in-transit inventory was not effectively controlled. Unrecorded and uncontrolled inventory is vulnerable to loss, obsolescence, and theft. Additionally, the Army incurred unnecessary storage costs for obsolete inventory stored in the DLA depot system.

RECOMMENDATIONS

1. We recommend that the Commander, Army Materiel Command:

a. Expedite funding and the deployment of the Commercial Asset Visibility system to Army commercial repair facilities. Funding and deployment should be prioritized based primarily on the dollar value of reparable assets at the commercial repair facilities.

Command Comments: Concur. AMC has established a CAV II project office and has requested funding to enable improved asset visibility of reparable at commercial facilities based on dollar value of the assets at the commercial facility. AMC begins fielding a new Logistics Modernization Program (LMP) system later this month. We will continue to seek funding to subsume the CAV functionality into the LMP.

b. Perform oversight of compliance with DOD 4000.25-2M, "Military Standard Transaction Reporting and Accounting Procedures," March 28, 2002, to conduct annual location reconciliation between inventory control point records and storage depot records.

Command Comments: Concur. In accordance with AMCL-8A, AMC now schedules and oversees annual reconciliation location audits between all the AMC Inventory Materiel Management Centers (IMMCs) and the worldwide storage sites. This includes all the Army Working Capital Fund sites obtained through the Single Stock Fund Program as well as the DOD Storage sites with AMC managed assets. The Defense Depot Tobyhanna Pennsylvania (DDTP) was the last DOD storage site to become AMCL-8A compliant, when CECOM ran a special audit with DDTP on 30 October 2002 and then all our AMC IMMCs ran the first scheduled Annual Audit with DDTP in January 2003.

2. This recommendation was addressed to the CECOM Command.

Command Comments: HQ AMC concurs with the CECOM response with an update to their response for 2.b. "Dispose of those assets that are identified as obsolete or excess to projected requirements." -- The 22 April 2003 VTC has been rescheduled to 5 Jun 2003. HQ AMC will chair this meeting with all the AMC IMMCs and AMSAA.

DEPARTMENT OF THE ARMY
HEADQUARTERS, U.S. ARMY COMMUNICATIONS-ELECTRONICS COMMAND
AND FORT MONMOUTH
FORT MONMOUTH, NEW JERSEY 07703-5000

REPLY TO
ATTENTION OF

AMSEL-IR (36-2b) APR 2 9 2003

MEMORANDUM FOR Commander, Army Materiel Command, ATTN: AMCIR, 5001 Eisenhower Avenue, Alexandria, VA 22333-0001

SUBJECT: Command Reply to Department of Defense Inspector General Draft Audit Report: Follow-up Audit of Depot-Level Repairable (DLR) Assets at Selected Army and Navy Organizations (AMC Control Number D0218)

1. The CECOM reply is attached at Enclosure 1.

2. Point of contact on this matter is Mr. Dominic A. D'Orazio, DSN 987-4113.

3. CECOM Bottom Line: THE WARFIGHTER.

Encl
As

PERRY L. BRIDGES, JR
Colonel, GS
Chief of Staff

COMMAND REPLY FOR
DoDIG DRAFT REPORT

AUDIT CONCLUSION: The auditors found the Army and the Navy had taken actions to improve procedures and controls to account for Depot Level Repairables (DLRs). However, management needed to address several issues to further improve DLR accountability. The Army had not fully implemented the DoD-wide Commercial Asset Visibility (CAV) system to improve DLR accountability at commercial repair facilities and did not fully account for CECOM DLR inventory stored in the Defense Depot Tobyhanna Pennsylvania (DDTP). The Navy did not properly monitor DLR in-transit inventory. Those conditions occurred because of limited resources to implement the Army CAV system, CECOM noncompliance with procedures to annually reconcile its inventory records with DDTP storage records, and the lack of management information and oversight to properly monitor Navy in-transit inventory. As a result, the Army had no assurance that about $2.7 billion of its DLR inventory at commercial contractors was properly accounted for, CECOM had unrecorded inventory gains and losses valued at approximately $356.5 million, and Navy in-transit inventory was not effectively controlled. Unrecorded and uncontrolled inventory is vulnerable to loss, obsolescence, and theft. Additionally, the Army incurred unnecessary storage costs for obsolete inventory stored in the DLA depot system.

ADDITIONAL FACTS. None.

RECOMMENDATIONS FOR THE COMMANDER, CECOM

RECOMMENDATION 2a. Determine whether the items with inventory records that were adjusted as a result of the October 2002 reconciliation between the Communications-Electronics Command and the Defense Depot Tobyhanna Pennsylvania are obsolete or excess to requirements. That determination should be made before requesting special inventories or performing other costly causative research procedures.

COMMAND REPLY. Concur. CECOM conducted causative research on a selected sample of adjustments from the October 2002 special reconciliation, valued at $98.7 million. The results of this effort was provided to Mr. Ron Bepko, HQ, AMC, on 28 Jan 03 and, in turn, to the DoDIG. It should be noted that the CECOM Accountable Officer reviews adjustments for further review based

on total dollar value and the critical item identification code (CIIC). Since the review, CECOM has adopted the DoDIG comments and added the Inventory Management Processing Code (IMPC) to identify terminal items and avoid causative research action that could be better focused on assets affecting readiness. CECOM is pleased to note that we achieved a record accuracy level of 97.43% with DDTP during the January 2003 annual audit, exceeding the AMC goal of 97%.

COMMAND COMMENTS AND ACTION TAKEN.

End of Day processing started on or about 20 October 2002 for DDTP.

Special reconciliation processed on 31 October 2002 with discrepancies adjusted inline.

Causative Research conducted on selected sample of 30% of total dollar value adjusted from November 2002 through January 2003. Results forwarded to HQ, AMC and to DoDIG.

Annual audit conducted at DDTP in January 2003 with resultant record accuracy of 97.4%.

CECOM continues to validate EOD mismatches on daily basis.

CECOM Accountable Officer has incorporated DoDIG suggestion to include review of IMPC code as part of s4election process for causative research starting January 2003 to avoid researching terminal items.

RECOMMENDATION 2b. Dispose of those assets that are identified as obsolete or excess to projected requirements.

COMMAND REPLY. Concur. CECOM has had a series of meetings with HQ, AMC concerning the funding and disposition of dormant and excess materiel at DLA sites including DDTP. Listings have been formulated and provided to DDTP Commander for prioritization of those National Stock Numbers (NSNs) that would free up the most storage space. This review is ongoing; but currently on hold due to the current world situation.

COMMAND COMMENTS AND ACTION TAKEN. CECOM participated in VTC with HQ, AMC and other IMMCs on 22 April 2003 to discuss game plan and milestones for review of dormant/excess assets at DLA storage sites to include DDTP.

Department of the Navy Comments

DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
RESEARCH, DEVELOPMENT AND ACQUISITION
1000 NAVY PENTAGON
WASHINGTON, DC 20350-1000

MAY 0 8 2003

MEMORANDUM FOR OFFICE OF THE INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE

Subj: FOLLOW-UP AUDIT OF DEPOT LEVEL REPAIRABLE ASSETS AT SELECTED ARMY AND NAVY ORGANIZATIONS (D2002LD-0142)

Ref: (a) DODIG Draft Report No. D2002LD-0142 of 14 Mar 03

Encl: (1) Summary of Recommendations and Action taken for DODIG No.D2002LD-0142 Draft Audit Report

In response to reference (a), enclosure (1) is forwarded listing the recommendations and status of action taken. Questions concerning this letter should be directed to CAPT Michael Ahern who can be reached at (703) 697-2018.

Michael G. Ahern
CAPT, SC, USN
Deputy Assistant Secretary of the Navy
(Logistics)(Acting)

cc:
NAVIG N4
NAVSUP 991F

DEPARTMENT OF THE NAVY COMMENTS ON
FOLLOW-UP AUDIT OF DEPOT-LEVEL REPAIRABLE ASSETS
AT SELECTED ARMY AND NAVY ORGANIZATIONS
(PROJECT NO. D2002LD-0142)

Finding: Depot-Level Repair Asset Visibility

The Army and the Navy had taken actions to improve procedures and controls to account for Depot Level Repairables (DLR). However, management needed to address several issues to further improve DLR accountability. The Army had not fully implemented the DOD-wide Commercial asset Visibility (CAV) system to improve DLR accountability a commercial repair facilities and did not fully account for Communications Electronics Command (CECOM) DLR inventory stored in Defense Depot Tobyhanna Pennsylvania (DDTP). The Navy did not properly monitor DLR in-transit inventory. Those conditions occurred because of limited resources to implement the Army CAV system, CECOM noncompliance with procedures to annually reconcile its inventory records with DDTP storage records, and the lack of management information and oversight to properly monitor Navy in-transit inventory. As a result, the Army had no assurance that about $2.7 billion of its DLR inventory at commercial contractors was properly accounted for, CECOM had unrecorded inventory gains and losses valued at approximately $356.5 million, and Navy in-transit inventory was not effectively controlled. Unrecorded and uncontrolled inventory is vulnerable to loss, obsolescence, and theft. Additionally, the Army incurred unnecessary storage costs for obsolete inventory stored in the DLA depot system.

DON comment

Concur with those portions of the finding applicable to the Navy. The Navy recognizes the importance of DLR and in-transit accountability, and as stated in your audit, has been responsive to implementing tools and procedures to further improve visibility to commercial contractors. Despite an 18 percent increase in stock-in-transit volume over the previous year, and nearly 73,000 in-transit issues monthly, the Naval Inventory Control Point (NAVICP) continues to strive for the highest levels of accountability. NAVICP has developed new applications, implemented more contractors on CAV, improved existing processes, enhanced automated tools, increased staffing, and even hired contractor labor to aid with analysis and resolution of open in-transit documents. This program is a top priority within the Inventory Control Point, and will continue to be monitored as such.

Recommendations

3. We recommend the Commander, Naval Inventory Control Point (NAVICP):

Enclosure (1)

a. Develop in-house procedures to provide management information reports to the inventory accuracy officer, comparable to the management information reports required in the February 2003 contract awarded to Resource Consultant Incorporated (RCI), to assist in reducing in-transit inventory.

DON comment

Concur. The Navy has developed new statistical metric reports in Web Focus for the inventory accuracy officer to monitor all portions of Stock-In-Transit (SIT). These reports provide both real time and historical data and represent the key metrics identified by NAVICP for monitoring SIT. The following reports can be generated via menu driven screens:

SIT Document Age Report
CIIC Stratification Report
SIT Type Stratification Report
Alert Level Stratification Report
POC Stratification Report
Activity Type Stratification Report
Outstanding SDRs by Activity Report
Document List Report
Tiger Team/Brute Force Summary Report
No SDRs by Activity Report
Contract Number Report
Through Put analysis Report
Mech Tiger Team summary Report
SIT Closure Rate

NAVICP provides detailed documentation for systemic problems on a real time basis by submitting Program Change Requests (PCR) and Program Trouble Reports (PTR) to the Program Manager and the Navy Supply Information Systems Activity (NAVSISA) for review and programmatic updates. The new metrics meet the requirement of improved monitoring of in-transit inventory. Additionally, program changes, customer training, procedural process review both internal and external coupled with monthly metrics briefs to the Commanding Officer, NAVICP and bi-monthly briefs to the Commander, Naval Supply Systems Command (NAVSUP) will result in total asset in-transit visibility as well as financial accountability for those assets in-transit.

In an effort to increase analytical and SIT resolution capabilities, NAVICP established a temporary SIT Tiger Team of 16 Full Time Equivalents from all ICP directorates throughout the Command. This group was fully injected into numerous functional areas that deal with the resolution of SIT, such as, conducting causative research to directly clear SIT, working AIMS errors, dealing directly with contractors and transporters etc. This temporary effort, combined with the Web Focus tool developed for metrics, mentioned above, and the RCI Brute Force contract, working the aged documents, will continue to result in

better automated SIT closure as well as more timely review and resolution of unmatched SIT.

b. Establish controls to ensure all in-transit items that meet the criteria in NAVSUP Publication 723, "Navy Inventory Integrity Procedures," April 19, 2000, are reviewed prior to writing them off as an inventory loss.

DON comment

Concur. NAVICP routinely reviews and validates the automated controls in PM76 (In-transit Tracking Module) to ensure that all unmatched documents are excluded from write off consideration until all practical avenues of research have been exhausted. The key internal elements that must be monitored are the Transaction History File query, the Carcass Tracking File/MTIS query and the potential match of an unmatched receipt already posted to the Receipt Tracking Index File. These checks are generally done regardless of the dollar value or CIIC code. In addition, the external processes for resolving in-transit documents such as, the DSS query, the ATAC query and the SDR website, are validated. Validation of all Level 3 SDR alerts is conducted prior to any write off action.

The NAVSUP Publication 723, which provides SIT guidelines, is presently under revision for release in the summer of 2003. ICP will recommend to NAVSUP that additional language be added that further clarifies the requirements for adequately completing an "internal" and "external" review for all categories of material. Complete documentation for all documents researched and subsequently recommended for write off is on file for FY02 and FY03. This requirement will remain in effect until the Pub 723 is released or until such time the documentation is no longer required.

Team Members

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

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