

Highlights of [GAO-05-729T](#), a testimony before the Subcommittee on National Security, Emerging Threats and International Relations, Committee on Government Reform, House of Representatives

Why GAO Did This Study

GAO was asked to assess the overall economy and efficiency of the Department of Defense (DOD) program for excess property reutilization (reuse). Specifically, GAO was asked to determine (1) whether and to what extent the program included waste and inefficiency and (2) root causes of any waste and inefficiency. GAO was also asked to provide detailed examples of waste and inefficiency and the related causes. GAO's methodology included an assessment of controls, analysis of DOD excess inventory data, statistical sampling at selected sites, and detailed case studies of many items.

What GAO Recommends

Today, GAO is issuing a report ([GAO-05-277](#)) with 13 recommendations to improve the economy and efficiency of DOD's reutilization program for excess commodities in the areas of (1) data reliability; (2) oversight, accountability, and physical inventory control; and (3) the functional design of DOD's future commodity inventory systems. In commenting on GAO's report, DOD concurred that actions are needed to improve the reutilization program and noted a number of improvement initiatives that were taken during fiscal years 2004 and 2005. However, DOD has not yet addressed the fundamental, conceptual weaknesses that have resulted in waste and inefficiency.

www.gao.gov/cgi-bin/getrpt?GAO-05-729T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Gregory D. Kutz (202) 512-9095 or Kutzg@gao.gov.

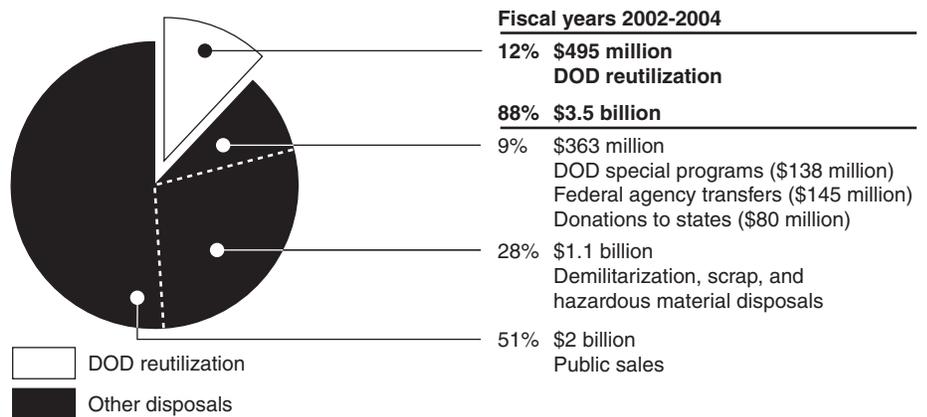
DOD EXCESS PROPERTY

Management Control Breakdowns Result in Substantial Waste and Inefficiency

What GAO Found

DOD does not have management controls in place to assure that excess inventory is reutilized to the maximum extent possible. Of \$33 billion in excess commodity disposals in fiscal years 2002 through 2004, \$4 billion were reported to be in new, unused, and excellent condition. DOD units reutilized only \$495 million (12 percent) of these items. The remaining \$3.5 billion (88 percent) includes significant waste and inefficiency because new, unused, and excellent condition items were transferred and donated outside of DOD, sold for pennies on the dollar, or destroyed. DOD units continued to buy many of these same items. GAO identified at least \$400 million of fiscal year 2002 and 2003 commodity purchases when identical new, unused, and excellent condition items were available for reutilization. GAO also identified hundreds of millions of dollars in reported lost, damaged, or stolen excess property, including sensitive military technology items, which contributed to reutilization program waste and inefficiency. Further, excess property improperly stored outdoors for several months was damaged by wind, rain, and hurricanes.

Waste and Inefficiency Related to \$3.5 Billion in Fiscal Year 2002-2004 Disposals of Excess DOD Commodities Reported To Be in New, Unused, and Excellent Condition



Source: GAO analysis.

GAO ordered and purchased at little or no cost several new and unused excess commodities that DOD continued to buy and utilize, including tents, boots, power supplies, circuit cards, and medical supplies. GAO paid a total of \$2,898, including tax and shipping cost, for these items, which had an original DOD acquisition cost of \$79,649.

Root causes for reutilization program waste and inefficiency included (1) unreliable excess property inventory data; (2) inadequate oversight and physical inventory control; and (3) outdated, nonintegrated excess inventory and supply management systems. Procurement of inventory in excess of requirements also was a significant contributing factor. Improved management of DOD's excess property could save taxpayers at least hundreds of millions of dollars annually.