



September 2022

DEFENSE LOGISTICS

DOD Can Better Manage Demilitarization Coding and Disposition Decisions

Accessible Version

GAO Highlight

Highlights of [GAO-22-105251](#), a report to congressional committees

Why GAO Did This Study

DLA manages, controls, and oversees DOD's materiel disposition program for property, including major end items, the department no longer needs. On the basis of an assigned code, many of these items must be demilitarized before being reused, transferred to other agencies, donated, sold, or destroyed.

Senate Report 116-236 (2020) included a provision for GAO to review DOD's demilitarization process and how it informs the disposal of items the military services no longer need. GAO assessed the extent to which (1) DOD consistently used the established demilitarization coding process for selected major end items and (2) the military services have established an approach for determining how to dispose of major end items they no longer need. GAO analyzed fiscal year 2019–2021 DLA and military service demilitarization codes and disposition information for major end items commonly sold to the public.

What GAO Recommends

GAO makes two recommendations that (1) DOD establish a process to review and reconcile demilitarization codes and document changes and (2) develop guidance on how to, when disposing of major end items, assess potential risks to national security and avoid unnecessary destruction, among other things. DOD did not concur with either recommendation stating DLA's processes mitigate coding inaccuracies, the military services share responsibility for inaccuracies, and DLA lacks responsibility for assessing risk. In response, GAO clarified both recommendations and maintain they remain valid.

View [GAO-22-105251](#). For more information, contact Diana Maurer at (202) 512-9627 or maurerd@gao.gov.

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DOD Can Better Manage Demilitarization Coding and Disposition Decisions

What GAO Found

Each year the Department of Defense (DOD) divests itself of thousands of items of property, which includes major end items, such as High-Mobility Multipurpose Wheeled Vehicles, other tactical vehicles, and certain types of cargo trucks and trailers, through the defense materiel disposition program. DOD consistently applied demilitarization codes for most, but not all, of the major end items GAO examined for fiscal years 2019–2021. Specifically, of the codes for the 437 national stock numbers GAO examined, 413 were consistent and 24 were not. Of the 24, 13 did not have documentation explaining the rationale for the differences in codes across DOD's databases, including those maintained by the military services. The Defense Logistics Agency (DLA) is responsible for ensuring that demilitarization codes are consistent across DOD and documenting any code changes. However, DLA officials were unsure how the inconsistencies GAO identified occurred because they do not have a reconciliation process that enables DLA to identify and reconcile codes across DOD's various databases. Without fully documenting changes, including pending changes, to demilitarization codes to ensure consistent use across the department, DOD risks that major end items, including sensitive items, may be inadvertently released to the general public or that items eligible for release may be needlessly destroyed.

Air Force's High-Mobility Multipurpose Wheeled Vehicles



Source: U.S. Air Force/Senior Master Sergeant J. Chapman. | GAO-22-105251

DOD guidance states that each military service is responsible for determining how to dispose of items it no longer needs. However, military service officials stated that they lacked guidance on what factors to consider when making disposition decisions for major end items, such as High-Mobility Multipurpose Wheeled Vehicles. Three military services turned in their unneeded High-Mobility Multipurpose Wheeled Vehicles to DLA, where most were eventually destroyed. According to Army officials, the Army reclaimed usable parts, such as engines, transmissions, and tires, providing DLA with little more than chassis. Military service officials stated that they opted to turn in the items because of the lack of guidance on assessing other disposal options. In the absence of such guidance, there is the risk that the expected outcomes of DOD's materiel disposition program—safeguarding national security interests, minimizing the destruction of government property, and optimizing monetary return to the U.S. government—will not be achieved.

Contents

GAO Highlight		ii
	Why GAO Did This Study	ii
	What GAO Recommends	ii
	What GAO Found	ii
Letter		1
	Background	3
	DOD Has Not Fully Documented Demilitarization Code Changes for Some Major End Items	10
	Services' Approaches for Major End Item Disposition Are Not Fully Aligned with DOD Goals	12
	Conclusions	16
	Recommendations for Executive Action	16
	Agency Comments and Our Evaluation	17
Appendix I: Objectives, Scope, and Methodology		21
Appendix II: Comments from the Department of Defense		25
	Text of Appendix II: Comments from the Department of Defense	28
Appendix III: GAO Contact and Staff Acknowledgments		31
	GAO Contact	31
	Staff Acknowledgments	31
Tables		
	Table 1: Selected Demilitarization (DEMIL) Codes with Requirements and Item Descriptions (Ordered from Most to Least Severe)	4
	Text of Figure 2: Overview of the Demilitarization (DEMIL) Code Assignment and Validation Process	7
	Text of Figure 3: Overview of Disposition Options for Unneeded Personal Property Items	9
	Table 2: Demilitarization (DEMIL) Code Inconsistencies Identified in 24 National Stock Numbers for Major End Items	11
	Table 3: Military Service Disposition Decisions for High-Mobility Multipurpose Wheeled Vehicles (HMMWV), Fiscal Years 2019–2021	13

Figures

Figure 1: Air Force’s High-Mobility Multipurpose Wheeled Vehicles	2
Figure 2: Overview of the Demilitarization (DEMIL) Code Assignment and Validation Process	7
Figure 3: Overview of Disposition Options for Unneeded Personal Property Items	9

Abbreviations

CCL	Commerce Control List
CPVO	Controlled Property Verification Office
DDCMO	DOD DEMIL Coding Management Office
DDPO	DOD Demilitarization Program Office
DEMIL	demilitarization
DLA	Defense Logistics Agency
DLA DS	Defense Logistics Agency Disposition Services
DOD	Department of Defense
FLIS	Federal Logistics Information System
HMMWVs	High-Mobility Multipurpose Wheeled Vehicles
MRAP	Mine Resistant Ambush Protected
USML	United States Munitions List

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September 27, 2022

Congressional Committees

Each year the Department of Defense (DOD) divests itself of thousands of items of personal property¹ crucial to combat readiness by

- reusing it,
- transferring it to other federal agencies,
- donating or selling it to authorized entities (including to the general public), or
- destroying it through the defense materiel disposition program.²

One such category of personal property is major end items, such as some models of High-Mobility Multipurpose Wheeled Vehicles (HMMWVs) (see fig. 1)—items that are important to combat readiness but could be appropriate for civilian use after demilitarization.³ Major end items are assigned demilitarization (DEMIL) codes, which indicate the degree of required disassembly and physical destruction and requirements for specialized handling, including for items that do not require

¹The Department of Defense (DOD) defines “personal property” as all DOD property except for real property, records of the federal government, and certain naval vessels (i.e., battleships, cruisers, aircraft carriers, destroyers, and submarines). For the purposes of this report, we refer to personal property collectively as “major end items,” those that are no longer needed by DOD.

²DOD defines “materiel disposition” as the process of reusing, recycling, converting, redistributing, transferring, donating, selling, demilitarizing, treating, destroying, or other ultimate disposition of property. DOD Manual (DODM) 4160.21, vol. 1, *Defense Materiel Disposition: Disposal Guidance & Procedures* (Oct. 22, 2015) (incorporating Change 3, Oct. 2, 2019).

³“Major end items” are a final combination of parts and/or materials ready for their intended use and of such importance to operational readiness that review and control of inventory management functions, including disposal, is required at all levels of life cycle management. Such items include aircraft; ships; and motorized wheeled, tracked, and towed vehicles.

demilitarization but may require a degree of control.⁴ DOD's Defense Logistics Agency (DLA) is responsible for overseeing the defense materiel disposition program and manages the process for the disposition of major end items that the department no longer needs, including the validation of DEMIL codes to determine whether and how to demilitarize those items.⁵

Figure 1: Air Force's High-Mobility Multipurpose Wheeled Vehicles



Source: U.S. Air Force/Senior Master Sergeant J. Chapman. | GAO-22-105251

Note: The Army, Marine Corps, Navy, and Air Force each use High-Mobility Multipurpose Wheeled Vehicles (HMMWVs).

The Senate Armed Services Committee Report accompanying a bill for the fiscal year 2021 National Defense Authorization Act includes a provision for us to review DOD's demilitarization process and the way this process informs the disposition of items that the military services no longer need.⁶ In our report, we assess the extent to which (1) DOD used the demilitarization coding process for selected major end items

⁴A demilitarization code is used throughout an item's life cycle to identify control requirements necessary before the release of the item outside of DOD control. "Demilitarization" refers to the act of eliminating the functional capabilities and inherent military design features that can range from the removal and destruction of critical features to the total destruction by cutting, crushing, or using other methods. Demilitarization is required to prevent major end items from being used for their originally intended purpose and to prevent the release of inherent design information that could be used against the U.S. DODM 4160.28, vol. 1.

⁵DODM 4160.28, vol. 1.

⁶S. Rep. No. 116-236, at 277 (2020).

consistently across the military services and (2) the military services have established an approach for determining how to dispose of major end items that are no longer needed.

To address our objectives, we focused on major end items that four of the military services and DLA could sell to the general public—for example, HMMWVs and other military vehicles. For our first objective, we compared the DEMIL codes reported in military service databases for major end items delivered to DLA Disposition Services (DLA DS) for disposal in the fiscal year 2019–2021 time frame, with the DEMIL codes reported in DOD’s Federal Logistics Information System (FLIS) for the major end items DLA DS received for disposal. For our second objective, we focused on HMMWVs because of their widespread use in the Army, Marine Corps, Navy, and Air Force and their potential for being made available for public sale.⁷ We analyzed fiscal years 2019–2021 DLA and military service disposition data. A more detailed discussion of our scope and methodology is in appendix I.

We conducted this performance audit from May 2021 to September 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

DOD Demilitarization Codes

Each year the military services identify thousands of major end items that are obsolete, not repairable, or are no longer needed to fulfill mission requirements. These items include tactical vehicles that were crucial to

⁷We did not examine the Space Force because it was not operational during much of the time frame of our review, and we did not include the U.S. Coast Guard because it is part of the Department of Homeland Security.

combat readiness, such as Mine Resistant Ambush Protected (MRAP) vehicles, HMMWVs, cargo trucks, and other military vehicle types.⁸

DOD guidance establishes DEMIL codes that are assigned to military personal property, including major end items as they enter DOD's inventory so that, when an item is no longer in use, it is handled and disposed of properly. For example, DEMIL codes indicate whether an item is available for reuse without restriction and, where applicable, provide instructions for "demilitarization," which refers to the actions needed before an item is either destroyed, reused, or made available for sale to the public (see table 1). These instructions can include the removal of classified components, destruction of sensitive military technology, or trade security control, among other things.

Table 1: Selected Demilitarization (DEMIL) Codes with Requirements and Item Descriptions (Ordered from Most to Least Severe)

Code	DEMIL requirement	Item description
D	DEMIL required. Item and components must be destroyed to prevent restoration or repair to a usable condition. ^a	Items on the United States Munitions List (USML) or military items on the Commerce Control List (CCL). ^b
C	DEMIL required. Remove or demilitarize installed key point(s) items as DEMIL code "D." ^c The remaining residual portion of the item is treated as DEMIL code Q or A.	Items on the USML or military items on the CCL.
Q	Mutilation to the point of scrap required, for CCL items outside of the U.S. In the U.S., the mutilation requirement is determined by the DEMIL integrity code. ^d	Items on the CCL.
A	No DEMIL, mutilation, or end use certificate required for CCL or other items subject to certain Export Administration regulations but not listed on the CCL, and determined by DOD to present a low risk when released from DOD control.	Items on the CCL or subject to Export Administration regulations but determined by DOD as low risk.

Source: GAO analysis of Department of Defense (DOD) information. | GAO-22-105251

Note: Selected DEMIL codes are applicable to major end items in our analysis. See appendix I for details.

^aA "component" is an item that is useful only when used in conjunction with an end item. An "end item" is a system, piece of equipment, or an assembled article ready for its intended use. Only ammunition, fuel, or another energy source is required to place the item in an operational state.

^bThe President is authorized to control the import and export of defense articles and services. Items so designated constitute the United States Munitions List. The CCL lists items, some of which are military items, under the export control jurisdiction of the Bureau of Industry and Security within the U.S. Department of Commerce.

^c"Key point(s) items" are parts, components, alignment points, attachment fittings, or areas that, when demilitarized, cannot feasibly be restored and that are necessary factors in restoring the next higher assembly-to-design capability, such as gun barrels, up-armor kits, aircraft fuselage, and wing spar attachment fittings.

⁸An MRAP is an armored military vehicle designed to withstand the effects of an explosion or armed ambush.

^dAfter receiving a Q DEMIL code, CCL items are assigned an integrity code based on the national security sensitivity of the item. Integrity code 3 is assigned to sensitive items that require mutilation inside the U.S. Non-sensitive items are assigned integrity code 6, which does not require mutilation within the U.S.

DOD Entity Roles and Responsibilities for Personal Property Disposal

DLA and the military services play key roles in determining how to dispose of unneeded personal property, including major end items. Under the authority of the Under Secretary of Defense for Acquisition and Sustainment, the Director of the DLA manages, controls, and oversees DOD's DEMIL program. The following are DLA entities with key roles and responsibilities in the DEMIL coding and defense materiel disposition process:

- The **DOD Demilitarization Program Office (DDPO)** administers the DOD DEMIL program and oversees the program worldwide. The DDPO reviews DEMIL policies, procedures, program implementation, and operational performance for consistency with U.S. foreign policy, policies, national security objectives, and DOD interests.
- The **DOD DEMIL Coding Management Office (DDCMO)** reviews and validates DEMIL codes to ensure accuracy and compliance with guidance as directed by the DDPO and the Trade Security Control Program Office.⁹ DDCMO also manages the DEMIL Validation Program, which includes the DEMIL code challenge process.¹⁰
- The **DLA Disposition Services (DLA DS)** manages the disposal and reutilization, including DEMIL, of personal property items and other materiel no longer needed by the military services, and other DOD components.
- The **Controlled Property Verification Office (CPVO)**, within DLA DS, is responsible for reviewing DLA DS property before it enters the sales cycle, with the objective of preventing government-sensitive or -

⁹"Trade Security Controls" are controls on export or other transfers, DEMIL, or mutilation established under a number of laws and regulations, such as the Export Administration Regulations, the International Traffic in Arms Regulations, the Commerce Control List, and the U.S. Munitions List, to prevent the illegal acquisition or other unauthorized transfer of covered items to ineligible transferees.

¹⁰At any time during the life cycle of DOD personal property, DDCMO may assign and validate a DEMIL code. Following validation, DOD components may submit a request to review the assigned code through the challenge process if a code is potentially inaccurate.

controlled property from being released to the public.¹¹ The CPVO also ensures the accuracy of DEMIL codes for items within DLA DS's inventory.

The three military department secretaries designate a DEMIL program administrator to support the DOD Demilitarization Program Manager in overseeing their respective military service's DEMIL program. They are also responsible for assigning accurate DEMIL codes to personal property under their control and developing instructions for each item requiring DEMIL according to the assigned code.

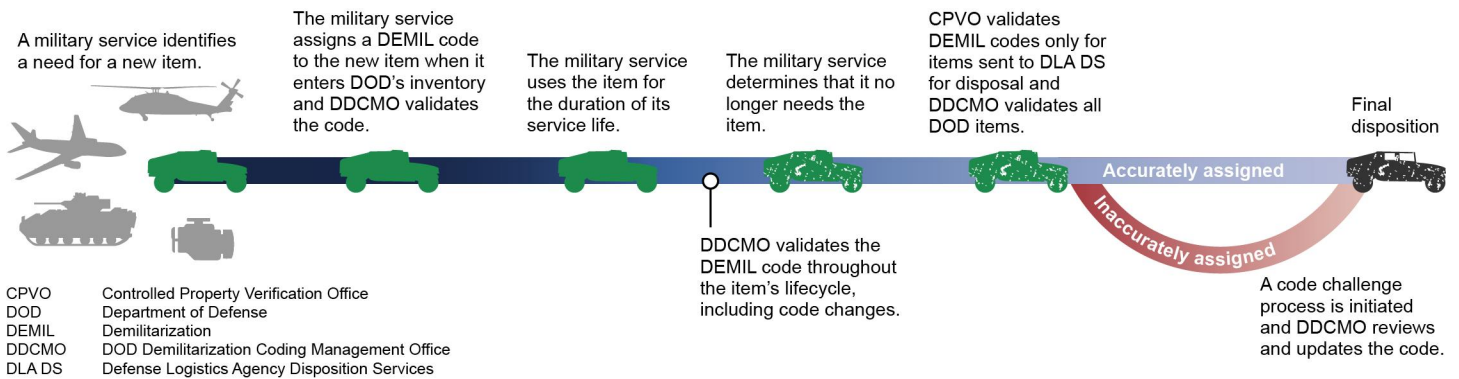
DEMIL Code Assignment and Validation

All DOD personal property, including major end items, is evaluated for DEMIL requirements. The military services must assign DEMIL codes for major end items as well as parts, components, accessories, and attachments for the given major end item. According to DLA's DEMIL coding guidance, the military services assign DEMIL codes based on a major end item's technical characteristics, including form, fit, and function, and consider other factors, such as an item's security classification.¹² DDCMO administers code validation by assigning a code during the provisioning process, during the materiel disposition process, or at any time during the life cycle of the item. An overview of the DEMIL code assignment and validation process is in figure 2 below.

¹¹"Sensitive items" are potentially dangerous to public safety or security if stolen, lost, or misplaced. "Controlled items" are military items that DOD owns.

¹²DODM 4160.28, vol. 2, *Defense Demilitarization: Demilitarization Coding* (Aug. 9, 2017) (incorporating Change 3, Aug. 9, 2019).

Figure 2: Overview of the Demilitarization (DEMIL) Code Assignment and Validation Process



Source: GAO analysis of information from DOD officials. | GAO-22-105251

Text of Figure 2: Overview of the Demilitarization (DEMIL) Code Assignment and Validation Process

- 1) A military service identifies a need for a new item.
- 2) The military service assigns a DEMIL code to the new item when it enters DOD's inventory and DDCMO validates the code.
- 3) The military service uses the item for the duration of its service life.
- 4) DDCMO validates the DEMIL code throughout the item's lifecycle, including code changes.
- 5) The military service determines that it no longer needs the item.
- 6) CPVO validates DEMIL codes for items sent to DL DS for disposal and DDCMO validates all DOD items.
 - a) For items accurately assigned: Final disposition
 - b) Fore items inaccurately assigned: A code challenge process is initiated and DDCMO reviews and updates the code.

Legend:

CPVO – Controlled Property Verification Office.
 DOD - Department of Defense.
 DEMIL – Demilitarization.
 DDCMO – DOD Demilitarization Coding Management Office.
 DLA DS – Defense Logistics Agency Disposition Services

Source: GAO analysis of information from DOD officials. | GAO-22-105251

DLA officials explained that, while DLA's DDCMO validates DEMIL codes for all DOD items, including those that are not sent to DLA for disposition, DLA's CPVO also reviews DEMIL codes for items sent to DLA DS for disposition. CPVO officials stated that these validation procedures are to ensure that DEMIL codes are accurate when an item is ready for disposition. For any code within DLA DS's inventory that may need correction, CPVO notifies DDCMO which then reviews the code with the military service to verify the code or make necessary corrections to prevent sensitive and controlled items from being released to the public. Items that are coded correctly in the Federal Logistics Information System (FLIS)—DOD's central database designed to collect, store, process, and provide item-related logistics information—are then readied for disposition. Officials from the military services said that they also track and update DEMIL codes in their own databases.

DLA has also established a challenge process that DOD entities can use to dispute an assigned DEMIL code if they think an item is misclassified and is at risk of being disposed of improperly. According to DOD guidance, DDCMO coordinates DEMIL challenges with the appropriate military department for review prior to initiating any changes.¹³ The DOD organizational unit assigned the primary responsibility for the item in question must concur with the challenge before DDCMO formally changes the DEMIL code in FLIS.¹⁴

Military Service Use of DLA Process for Personal Property Disposition

According to DLA officials, the military services have the option to perform their own demilitarization and disposition of items, which includes having a third-party contractor provide and perform demilitarization, or use DLA DS (see fig. 3). However, if the military services perform their own demilitarization and disposition they must follow established DOD processes.¹⁵ For example, a military service may opt to contract with a private-sector entity to demilitarize an item and sell it to the general public. Alternatively, a military service can exchange (trade in) an item

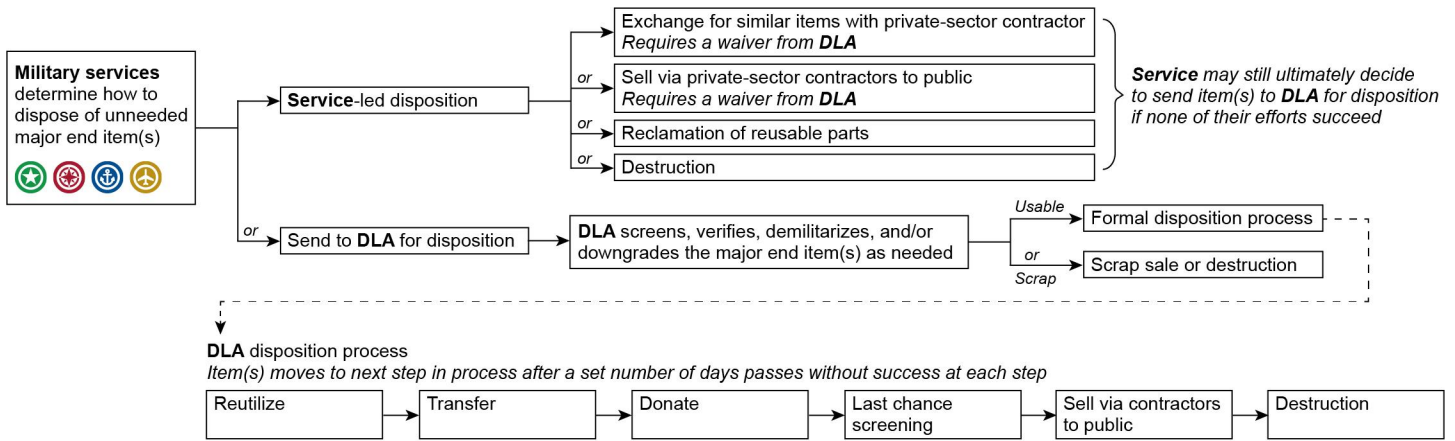
¹³DODM 4160.28, vol. 1.

¹⁴If the DDCMO does not receive a response from the inventory control point within 90 days, DDCMO must formally change the DEMIL code in FLIS. A DEMIL integrity code of "7" reflects this transaction and flags the item as a forced concurrence.

¹⁵DODM 4160.21, volumes 1-4, *Defense Materiel Disposition* (2019), and DODM 4160.28, volumes 1-3, *Defense Demilitarization* (2019).

with a private-sector contractor for a similar replacement item, such as a bulldozer. The military services may also destroy items to the point of scrap and sell the scrap material to the public.

Figure 3: Overview of Disposition Options for Unneeded Personal Property Items



Source: GAO analysis of Defense Logistics Agency (DLA) information. | GAO-22-105251

Text of Figure 3: Overview of Disposition Options for Unneeded Personal Property Items

- 1) Military services determine how to dispose of unneeded major end item(s)
 - a) Service-led disposition; or
 - i) Exchange for similar items with private-sector contractor. Requires a waiver from DLA; or
 - ii) Sell via private-sector contractors to public. Requires a waiver from DLA; or
 - iii) Reclamation of reusable parts; or
 - iv) Destruction,
 - v) Service may still ultimately decide to send item(s) to DLA for disposition if none of their efforts succeed.
 - b) Send to DLA for disposition
 - i) DLA screens, verifies demilitarizes, and/or downgrades the major end item(s) as need
 - (1) Usable. Formal disposition process
 - (2) Scrap. Scrap sale or destruction
 - ii) DLA disposition process. Items(s) moves to next step in process after a set number of days without success at each step.
 - (1) Reutilize
 - (2) Transfer

-
- (3) Donate
 - (4) Last chance screening
 - (5) Sell via contractors to public
 - (6) Destruction

Source: GAO analysis of DLA information. | GAO-22-105251

If a military service opts to turn in an unneeded item to DLA DS for disposition, the item goes through a multistage process during which it is screened and, if eligible, reutilized, transferred, or sold. For example, items may be reutilized within other DOD components, such as another military service. Items that are not reutilized may also be transferred to other federal civilian agencies, or donated to other parties, such as to state and local governments through special programs.¹⁶ Remaining items may be sold to the general public, if appropriate and safe. Items not reutilized, transferred, donated, or sold are destroyed and sold as scrap.

DOD Has Not Fully Documented Demilitarization Code Changes for Some Major End Items

DOD generally applied DEMIL codes consistently for most, but not all, of the major end items it no longer needed. We compared DEMIL codes of 437 different national stock numbers for major end items across the military services' databases, as well as in FLIS (i.e., the department's primary system of record) during fiscal years 2019–2021, and we found that for 413 national stock numbers the same DEMIL codes were assigned in all the databases.¹⁷ These 413 national stock numbers represent almost 3,000 individual major end items.

Although DOD generally consistently applied DEMIL codes for most of the major end items we examined, we found instances where DEMIL codes were not applied consistently and DOD did not fully document demilitarization code changes. DLA officials said that inconsistent DEMIL

¹⁶According to DLA officials, items turned in to DLA DS coded DEMIL D, E, and C (USML items) are not made available to federal agencies and sales or for donation without a waiver from DLA DS. Only agencies that are military services and DOD special programs are authorized to receive those items from DLA DS.

¹⁷A national stock number is a 13-digit unique code assigned to an item of supply that is repeatedly stocked, stored and issued throughout the federal supply system. The code is assigned at the request of the military services, certain federal or civilian agencies, and foreign friendly countries.

codes should only result when a code is being updated and noted that they have processes to change DEMIL codes; however, we found several instances of inconsistent DEMIL codes in DOD’s databases, with no record that the codes were pending an update. Specifically, when we compared the national stock numbers across the databases mentioned above, we also found inconsistencies for 24 national stock numbers (representing hundreds of item types, including tractors, cargo trucks, MRAP vehicles, and other types of military vehicles). An analysis of these 24 national stock numbers showed that 11 had DEMIL codes that were correctly challenged and the code changes were documented in FLIS, but 13 had inconsistent DEMIL codes without a recorded change in FLIS. These 13 national stock numbers comprise 498 major end items (see table 2).

Table 2: Demilitarization (DEMIL) Code Inconsistencies Identified in 24 National Stock Numbers for Major End Items

National Stock Numbers with DEMIL code inconsistencies	DEMIL code change reflected in the Federal Logistics Information System (FLIS)?	Item examples	Item count
11	Yes	Mine Resistant Ambush Protected (MRAP) vehicles, semitrailer vans, tractors, and cargo trucks	134
13	No	Cargo trucks, truck tractors, semitrailer vans, low-bed semitrailers, and container handling vehicles	498

Source: FLIS and military service databases. | GAO-22-105251

In one case, the Army designated some container handling vehicles as DEMIL code A in the Army’s database, indicating no demilitarization is required. DLA DS’s data in FLIS assigned the same container handling vehicles as DEMIL code C, which indicates significant demilitarization is required. We were unable to determine how the Army ultimately disposed of these vehicles.

According to DOD guidance, DLA is responsible for ensuring that DEMIL codes are accurate across the department and for documenting DEMIL code changes in FLIS.¹⁸ Further, *Standards for Internal Control in the Federal Government* state that documentation is required for the effective design, implementation, and operating effectiveness of an entity’s internal control system.¹⁹ These standards also state that corrective actions to

¹⁸DODM 4160.28, vol. I.

¹⁹GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.: Sept. 2014).

remediate internal control deficiencies, such as reconciling inconsistent DEMIL code data and recording the changes, should be documented on a timely basis.

DLA officials were unsure how the inconsistencies we identified occurred because, while there is a challenge process where a DOD entity can initiate a code correction, they do not have a reconciliation process that enables DLA to identify and reconcile DEMIL codes across different DOD databases. These databases include those maintained by the military services. Without fully documenting changes, including pending changes, to DEMIL codes to ensure consistent use across the department, there is a risk that major end items, including sensitive items, may be inadvertently released to the general public or that items eligible for release may be needlessly destroyed.

Services' Approaches for Major End Item Disposition Are Not Fully Aligned with DOD Goals

Military Services Use Various Approaches to Determine How to Dispose of HMMWVs

From fiscal year 2019 through fiscal year 2021 the Army, Navy, and Air Force opted to turn their unneeded HMMWVs in to DLA DS, but the Marine Corps used a private-sector contractor (see table 3). Army and Navy officials stated that they chose DLA DS primarily because they believed it was the easiest solution given the number of HMMWVs in their inventories. Air Force officials said they chose to follow the Army's disposition approach. In contrast, Marine Corps officials stated they preferred to use a private-sector contractor to exchange or sell HMMWVs the Marine Corps no longer needed because, based on its analysis, it was more cost-effective to do so.

Table 3: Military Service Disposition Decisions for High-Mobility Multipurpose Wheeled Vehicles (HMMWV), Fiscal Years 2019–2021

Military service	Assessment	Decision	HMMWV disposition decision
Army	Believed using the Defense Logistics Agency (DLA) Disposition Services (DLA DS) saves significant time because of the quantity of Army HMMWVs.	Used DLA DS for all HMMWVs.	Turned in 6,417 to DLA DS. DLA destroyed 5,289, reused 676 in the Department of Defense (DOD), transferred 323 to federal and state agencies, donated 70 to federal and agencies, and sold 59 to the public via a private-sector contractor.
Marine Corps	Analyzed potential costs of preparing HMMWVs for demilitarization because Marine Corps' guidance requires a cost analysis.	Used exchange or sales (contractor pays the demilitarization costs) instead of DLA DS for most HMMWVs.	Exchanged or sold 1,141 to private contractor. Received \$114.1 million in exchange value. Turned in 150 to DLA DS. DLA destroyed 72, reused 43 in DOD, and transferred 35 to federal and state agencies.
Navy	Opted to use DLA DS because the Navy does not own many HMMWVs. Considered HMMWV quantity, obsolescence, age, mileage, and condition prior to disposal.	Used DLA DS for all HMMWVs.	Turned in 160 to DLA DS. DLA destroyed 127, reused six in DOD, transferred 20 to federal and state agencies, donated six to federal and state agencies, and sold one to the public via a private-sector contractor.
Air Force	Followed the Army's approach because it procures HMMWVs through the Army.	Used DLA DS for all HMMWVs.	Turned in 305 to DLA DS. DLA destroyed 257, reused 23 in DOD, transferred 15 to federal and state agencies, donated five to federal and state agencies, and sold five to the public via a private-sector contractor.

Source: GAO analysis of DOD data and information from officials. | GAO-22-105251

Note: According to Army officials, preparing HMMWVs for demilitarization might include removing bolted armor, gun mounts, fluids, and communications equipment.

The Army disposed of 6,417 HMMWVs from fiscal year 2019 through fiscal year 2021, constituting 79 percent of all such disposals across the four military services. DLA destroyed 82 percent of the Army's HMMWVs (5,289 vehicles), a rate comparable with the Navy and Air Force. According to Army officials, in many cases the Army conducted what is called reclamation before turning in unneeded HMMWVs to DLA DS. In this process, the Army stripped usable parts, such as engines, transmissions, and tires from unneeded HMMWVs providing DLA DS with little more than chassis. The Marine Corps disposed of 1,291 unneeded HMMWVs from fiscal year 2019 through fiscal year 2021, the second largest across the four military services we reviewed. The Marine Corps exchanged (traded in) or sold 88 percent of its unneeded HMMWVs to a private-sector contractor.

Military Services Have Not Used Approaches That Maximize Monetary Returns, Reduce Destruction, and Protect National Security

As previously discussed, the military services are able to turn in unneeded major end items to DLA DS for final disposition. Alternatively, they can dispose of them directly by exchanging, selling, reclaiming, or destroying the materiel. DLA officials told us that they have limited visibility over what factors, if any, the military services consider when making a decision about whether to dispose of items themselves or turn them over to DLA DS. These officials told us that they have the most visibility into instances when a military service opts to dispose of unneeded major end items through exchanges or sales, but noted this was primarily done by the Marine Corps in terms of its disposition of HMMWVs. In these instances, DLA officials explained that DLA must grant a waiver and ensure that the entity receiving the major end item understands the risks if the item is released to the public or to other unauthorized entities and is willing to manage those risks.

According to military service officials, they do not follow specific guidance when evaluating how to dispose of unneeded major end items like HMMWVs. Officials from all four military services in the scope of our review told us that they do not assess how disposal of HMMWVs and other major end items affect national security interests or how different options might minimize the destruction of DOD property.

Three of the four military services told us that they do not assess the potential savings or the potential economic returns resulting from their decisions on how to dispose of unneeded major end items because current DOD guidance does not require it. The Marine Corps is the only military service that conducts cost analysis when deciding what to do with its unneeded HMMWVs. According to Marine Corps officials, a cost analysis is required in Marine Corps' guidance prior to making a disposition decision. As a result of this analysis, the Marine Corps opted to dispose of its unneeded HMMWVs through an exchange or sales program with a private-sector contractor wherein the contractor conducts any required demilitarization of the vehicles. According to Marine Corps officials, this is their most cost-effective means to dispose of unneeded HMMWVs. Marine Corps officials were unable to provide any information on how, in pursuing this option, they also weighed the national security risks associated with this option.

According to DOD guidance on demilitarization, DLA manages the materiel demilitarization process and works with the military services to help them dispose of major end items (e.g., HMMWVs).²⁰ Further, DOD guidance on materiel disposition directs DOD components, including the military services, to ensure that disposal actions and costs are a part of each stage of the supply chain management of items and that disposal of property is a planned event at all levels of the organization.²¹ The materiel disposition guidance identifies the expected outcomes of the defense materiel disposition program, including protecting national security interests, obtaining optimum monetary return to the U.S. government, and minimizing the abandonment or destruction of property, among other things. Additionally, *Standards for Internal Control in the Federal Government* state that managers need quality information to make decisions on how to achieve program objectives and managers should design processes (control activities) and provide guidance for achieving objectives.²²

Our analysis of DOD's disposition decisions for HMMWVs found that DLA lacks important information on how military service disposition decisions about major end items meet policy objectives and is limited in its ability to manage the materiel disposition process. This is due to the military services not evaluating the policy implications of their disposition decisions because DLA has not provided them with guidance on the factors that need to be considered when making disposition decisions. In the absence of guidance outlining the factors that the military services should consider when making decisions about what to do with unneeded major end items like HMMWVs, there is the risk that the stated goals of DOD's item disposition process—to safeguard national security, minimize the destruction of DOD property, and maximize monetary return—will not be achieved.

²⁰DODM4160.28, vol. 1. DDPO coordinates with the DOD DEMIL Life-Cycle Planning Center, the DDCMO, and the military service and defense agency DEMIL program administrators.

²¹DODM 4160.21, vol.1, *Defense Materiel Disposition: Disposal Guidance and Procedures* (Oct. 22, 2015) (incorporating Change 3, Oct. 22, 2019).

²² [GAO-14-704G](#).

Conclusions

Each year DOD divests itself of thousands of unneeded items. Many of these items have an inherent military purpose and, in the interests of national security, should not be released to the public or other unauthorized entities. Conversely, if properly demilitarized when required, some items may be transferred to other federal and state entities, sold, exchanged, or destroyed. DLA, which manages the demilitarization process, must ensure that demilitarization requirements, which are denoted by DEMIL codes assigned to each type of equipment, are consistent and updated throughout the various databases used by DLA and the military services. The military services also play an important role in deciding how to dispose of unneeded equipment. It is essential, therefore, that the military services have guidance to ensure their disposition decisions safeguard national security interests, minimize the destruction of government property, and realize optimum monetary return to the U.S. government. In the absence of a process that ensures consistency across the various databases and reconciles any differences in DEMIL codes, and guidance that the military services should use when making their disposition decisions, DOD is at risk of releasing military equipment to unauthorized users and missing opportunities to realize monetary return from the sale or exchange of unneeded equipment.

Recommendations for Executive Action

We are making the following two recommendations to the Department of Defense:

The Secretary of Defense should ensure that the Under Secretary of Defense for Acquisition and Sustainment, in coordination with the Director of the Defense Logistics Agency and the military services, establishes a process to review and reconcile inconsistent demilitarization codes and document changes, including pending changes, in the Federal Logistics Information System to ensure that major end items' demilitarization codes are up to date and consistent across DOD and the military services. (Recommendation 1)

The Secretary of Defense should ensure that the Under Secretary of Defense for Acquisition and Sustainment, in coordination with the Director of the Defense Logistics Agency, develops guidance on how the military services should assess potential risks to national security, avoid the

unnecessary destruction of government property, and optimize monetary returns to the U.S. government when making disposition decisions on unneeded major end items. (Recommendation 2)

Agency Comments and Our Evaluation

We requested comments on a draft of this report from DOD. In response, we received written comments which are reprinted in appendix II.

In its comments, DOD did not concur with the two recommendations made in this report.

DOD did not concur with our recommendation to establish a reconciliation process for inconsistent demilitarization codes and to document changes, including pending changes, in the Federal Logistics Information System (FLIS) to ensure that major end items' demilitarization codes are up to date and consistent across DOD and the military services. According to DOD, there is already an established process to ensure the accuracy of demilitarization coding, and the accuracy of these codes ensures that US warfighters do not face their own technology in combat situations or waste funds destroying items that do not need demilitarization.

We acknowledge in the report that DOD has a process to dispute and correct inaccurate demilitarization codes. We also acknowledge the importance of ensuring that major end items the services no longer require do not fall into the wrong hands as well as the importance of avoiding unnecessary costs. We also recognize in our report that DOD generally applied demilitarization codes consistently across the various databases we examined for fiscal years 2019 through 2021 for most of the selected major end items it no longer needed. Nonetheless, for the 3 percent of national stock numbers for which we did find discrepancies, which represent hundreds of individual pieces of equipment, including MRAPs, there remains the possibility that, because of inaccurate coding in various databases, a piece of equipment may be handled incorrectly. Ensuring that all databases reflect the correct demilitarization codes would, we believe, go far in mitigating this likelihood.

DOD also stated in its comments to our first recommendation that any inconsistencies are the responsibility of the individual military services and that it is the services' responsibility to ensure that their databases are up to date and match DLA's FLIS database. DOD also stated that ensuring this consistency across all databases is out of DLA's control.

While we understand that the day-to-day management of databases owned by the military services may be out of DLA's control, DLA does oversee the demilitarization program and, according to DOD policy and as reiterated in DOD's comments, DLA is responsible for ensuring the accuracy of DEMIL codes. As such, actions taken to address inconsistencies among the various databases would involve both DLA and the military services. However, given DOD's comments about the roles and responsibilities of DLA and the services with regard to DEMIL codes, we modified our recommendation to clarify that the Under Secretary of Defense for Acquisition and Sustainment, in coordination with DLA and the services, should take measures to ensure that demilitarization codes are up to date and consistent across the department.

DOD also did not concur with our recommendation to develop guidance on how the military services should assess potential risks to national security, avoid the unnecessary destruction of government property, and optimize monetary returns to the U.S. government when making disposition decisions. According to DOD, it is out of DLA's scope of responsibility in developing guidance on assessing risk to national security for items that are no longer needed by the military services. DOD further stated that DLA is a procurement activity and the role of assessing risks resides with the military departments.

As stated in DOD's materiel disposition guidance, the objectives of the Defense Materiel Disposition Program include protecting national security, minimizing the destruction of government property, and obtaining optimum monetary return. While DLA manages and oversees the disposition program, materiel disposition guidance also stipulates that, under the direction and control of the Under Secretary of Defense for Acquisition and Sustainment, DLA establishes program guidance, provides management review and analysis, and establishes internal control measures, among other things, as part of their responsibilities. However, in response to DOD's comments about DLA's role with regard to assessing risk, we modified our recommendation to make clear that the Under Secretary of Defense for Acquisition and Sustainment, in coordination with the Director of the Defense Logistics Agency, should develop guidance on how the military services should assess risks to national security, reduce the unnecessary destruction of government property, and optimize monetary return.

We are sending copies of this report to the appropriate congressional committees and the Secretary of Defense. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-9627 or maurerd@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Staff members making key contributions to this report are listed in appendix III.

A handwritten signature in black ink that reads "Diana Maurer". The signature is written in a cursive style with a large, prominent 'D' and 'M'.

Diana Maurer
Director, Defense Capabilities and Management

List of Committees

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Chairman
The Honorable James M. Inhofe
Ranking Member
Committee on Armed Services
United States Senate

The Honorable Jon Tester
Chair
The Honorable Richard Shelby
Ranking Member
Subcommittee on Defense
Committee on Appropriations
United States Senate

The Honorable Adam Smith
Chairman
The Honorable Mike Rogers
Ranking Member
Committee on Armed Services
House of Representatives

The Honorable Betty McCollum
Chair
The Honorable Ken Calvert
Ranking Member
Subcommittee on Defense
Committee on Appropriations
House of Representatives

Appendix I: Objectives, Scope, and Methodology

In this report, we assess the extent to which the (1) Department of Defense (DOD) used the demilitarization (DEMIL) coding process for selected major end items consistently across the military services and (2) military services have established an approach for determining how to dispose of major end items that are no longer needed.¹

We focused our review on the disposition of major end items, including, among other things, aircraft; ground support material including generators, administrative, and general purpose vehicles; and tactical and special purpose vehicles.² We focused on these items because, after being demilitarized they may, in some cases, be made available for sale or exchange on the civilian market. We excluded major end items, such as weapons, special weapons, missiles, and high-performance aircraft that are prohibited from release to the general public.³ We reviewed DOD policies and guidance on the DEMIL coding and disposition process for personal property, including major end items, across the Defense Logistics Agency (DLA) and the military services (i.e., the Army, Marine

¹“Demilitarization” refers to the act of eliminating the functional capabilities and inherent military design features from DOD property that requires certification and verification. Methods and degree range from the removal and destruction of critical features to the total destruction by cutting, crushing, or using other methods. Demilitarization is required to prevent property from being used for its originally intended purpose and to prevent the release of inherent design information that could be used against the United States.

²“Major end items” are a final combination of parts and/or materials ready for their intended use and of such importance to operational readiness that review and control of inventory management functions, including disposal, is required at all levels of life cycle management. Such items include aircraft; ships; and motorized wheeled, tracked, and towed vehicles.

³All engagement data included major end items from the following Federal Supply Classifications: 1510 (Fixed Wing Aircraft), 1520 (Rotary Wing Aircraft), 1910 (Transport Vessels), 1915 (Cargo and Tanker Vessels), 2305 (Ground Effect Vehicles), 2320 (Wheeled Trucks), 2330 (Trailers), 2350 (Combat, Assault, Tactical Track Vehicles), 2355 (Combat/Assault Tactical Wheeled Vehicles) 2410 (Track Tractors), 2420 (Wheeled Tractors), and 6115 (Generators).

Corps, Navy, and Air Force).⁴ We interviewed cognizant officials from each of these organizations as well as non-DOD entities that received excess property to describe DOD's processes for assigning and validating DEMIL codes, as well as the processes for disposing of major end items that are no longer needed.

To address our first objective, we collected and analyzed data from the military services on the major end items they turned in to DLA from fiscal years 2019 through 2021. We compared the data with DLA data we collected on the major end items DLA received from the military services from fiscal years 2019 through 2021 to identify any inconsistencies of DEMIL codes for identical items with the same national stock number (NSN).⁵ We cross-referenced these inconsistencies with DLA's DOD DEMIL Coding Management Office (DDCMO) challenge data to determine if the different codes were challenged and updated appropriately in DOD's system of record. Further, we compared the results of this analysis with DOD's policy and guidance, and with *Standards for Internal Control in the Federal Government* pertaining to the design, implementation, and operation of an entity's internal control system and the need to take corrective actions to remediate internal control deficiencies to determine DLA's requirements for documenting DEMIL code changes.⁶ We also interviewed cognizant officials from DLA, the military services, and non-DOD entities to describe the demilitarization requirements for the DEMIL codes we identified in our analysis. We limited the scope of our data collection to 3 fiscal years because of the high volume of items turned in at any one time.

To assess the reliability of data obtained, we reviewed data from the military services (the Army, Marine Corps, Navy, and Air Force) and DLA Disposition Services (DLA DS) for the selected major end items turned into DLA DS for disposition from fiscal years 2019–2021. We also interviewed the military services and DLA DS about the quality control procedures used to ensure the accuracy and completeness of the data.

⁴DOD defines "personal property" as all DOD property except for real property, records of the federal government, and certain naval vessels (i.e., battleships, cruisers, aircraft carriers, destroyers, and submarines).

⁵A "national stock number" is a 13-digit unique code assigned to an item of supply that is repeatedly stocked, stored, and issued throughout the federal supply system. It is assigned at the request of the military services, certain federal or civilian agencies, and foreign friendly countries.

⁶GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

We found that the data we examined were sufficiently reliable for evaluating inconsistencies in DEMIL code data across DOD.

To address our second objective, we collected disposition data for High-Mobility Multipurpose Wheeled Vehicles (HMMWVs) turned in by each military service from fiscal years 2019 through 2021 to describe the quantity that were turned in to DLA, including the disposition outcome. We focused on HMMWVs because of their use across each of the military services and their potential to be made available for public sale. We limited the scope of our data analysis to 3 fiscal years because of the high volume of items turned in at any given time. Further, we interviewed cognizant officials from DLA and each of the military services to determine how the military services decide to dispose of major end items they no longer need. We also interviewed a private-sector contractor that a military service used to describe the steps that occur within the service-led approach. We compared the disposal options identified with DOD's policy and guidance, and *Standards for Internal Control in the Federal Government* pertaining to quality information and the design and implementation of control activities to assess whether the military services dispose of major end items (e.g., HMMWVs) in a manner that protects national security interests, minimizes the destruction of DOD property, and obtains optimum monetary return for the U.S. government.⁷

To assess the reliability of the data obtained, we reviewed disposition data from the military services (Army, Marine Corps, Navy, and Air Force) and DLA Disposition Services (DLA DS) for HMMWVs turned into DLA DS for disposition from fiscal years 2019–2021. We also interviewed the military services and DLA DS about the quality control procedures used to ensure the accuracy and completeness of the data. We found that the data we examined were sufficiently reliable for describing the quantity and value of HMMWVs turned into DLA DS for disposition for the fiscal year 2019–2021 time frame.

We conducted this performance audit from May 2021 to September 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that

⁷GAO-14-704G.

**Appendix I: Objectives, Scope, and
Methodology**

the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Comments from the Department of Defense



SUSTAINMENT

THE ASSISTANT SECRETARY OF DEFENSE
3500 DEFENSE PENTAGON
WASHINGTON, DC 20301-3500

Ms. Diana Maurer
Director, Defense Capabilities Management
U.S. Government Accountability Office
441 G Street, NW
Washington DC 20548

Dear Ms. Maurer,

This is the Department of Defense (DoD) response to the Government Accountability Office (GAO) Draft Report GAO-22-105251, "DEFENSE LOGISTICS: DOD Can Better Manage Demilitarization Coding and Disposition Decisions," dated July 7, 2022 (GAO Code 105251).

Attached is DoD's response to the subject report. My point of contact at the Defense Logistics Agency is Mr. James L. Reed, who may be reached at james.l.reed@dla.mil and 571-474-5184.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Lowman", is written over a horizontal line. Below the signature, the name "Christopher J. Lowman" is printed in a small, black, sans-serif font.

GAO DRAFT REPORT DATED JULY 7, 2022

**GAO-22-105251 (GAO CODE 105251)
“DEFENSE LOGISTICS: DOD CAN BETTER MANAGE DEMILITARIZATION
CODING AND DISPOSITION DECISIONS”**

**DEPARTMENT OF DEFENSE COMMENTS TO THE GAO
RECOMMENDATION**

RECOMMENDATION 1: The GAO recommends that the Secretary of Defense should ensure that the Under Secretary of Defense for Acquisition and Sustainment, through the Director of the Defense Logistics Agency and in coordination with each of the military services, establishes a process to review and reconcile inconsistent demilitarization codes and document changes, including pending changes, in the Federal Logistics Information System to ensure that major end items’ demilitarization codes are up to date and consistent across DoD and the services.

DoD RESPONSE: The DoD non-concurs with GAO recommendation 1. The DoD has an existing process to review and reconcile demilitarization (DEMIL) codes within the Federal Logistics Information System (FLIS), overseen by the DoD Demilitarization Coding Management Office (DDCMO). The DDCMO’s mission is to ensure the accuracy of DEMIL coding so that our warfighters do not face their own technology in combat situations and defense funds are not wasted destroying items that do not require DEMIL. The DDCMO validates the DEMIL codes assigned to all National Stock Numbers (NSN) stored in the FLIS and maintains historical files of every code change. The FLIS is the Department’s accountable system of record for tracking DEMIL codes assigned to NSNs. An individual Military Service’s logistics information system’s failure to regularly obtain information from the FLIS and update accordingly can result in inaccurate or inconsistent information in that Military Service system. To the extent there may be inconsistency or inaccuracy with recorded DEMIL code assignments, such problems are due to the failures of individual Military Services’ logistics information systems to obtain and reflect current information from the FLIS, which is entirely outside of DLA’s control.

The FLIS interfaces with the Military Services’ logistics information systems (called legacy systems). The FLIS sends current logistic data, including DEMIL codes assigned to NSNs, to the Military Services’ legacy systems every two hours (on average), through the Defense Automated Addressing System. The frequency with which any Military Service receives these updates depends on how often a Military Service retrieves the FLIS data and updates its legacy system with the FLIS data. The Military Services determine how often they retrieve FLIS data. For example, the U.S. Marine Corps’ (USMC) legacy system, Catalyst, receives updated data from the FLIS six times a day.

Pages 9 and 10 of the draft report represent that the GAO examined 437 NSNs for major end items between Fiscal Years 2019 and 2021 and found 24 NSNs in Military Service databases that did not match the DEMIL codes in FLIS for the corresponding major end items. Of these 24 DEMIL code inconsistencies between the Military Service databases and the FLIS, the DEMIL codes for 11 NSNs had been correctly challenged and the DEMIL code change had been documented in the FLIS. Thus, out of 437 NSNs for major end items the GAO examined for this study, only 13 NSN DEMIL codes incorrectly failed to accurately match between Military

**Appendix II: Comments from the Department
of Defense**

Service databases and the FLIS. The GAO thus found that the FLIS has a 3% DEMIL code error rate with the Military Services' databases, or in other words, a 97% DEMIL code accuracy rate between the FLIS and the Military Services' databases.

Moreover, the draft GAO report fails to note what Military Service databases the GAO examined and whether these databases were receiving updates from the FLIS. If the databases the GAO examined were being updated by compact disc (e.g., FED LOG), they could likely have been the cause of some (or all) of the errors with the 13 incorrectly DEMIL coded NSNs for major end items the GAO identified, as such databases contain data that may be more than 30 days old.

RECOMMENDATION 2: The GAO recommends that the Secretary of Defense should ensure that the Under Secretary of Defense for Acquisition and Sustainment, through the Director of the Defense Logistics Agency, develops guidance on how the military services should assess potential risks to national security, avoid the unnecessary destruction of government property, and optimize monetary gains to the U.S. government when making disposition decisions on unneeded major end items.

DoD RESPONSE: The DoD non-concurs with GAO recommendation 2. The role of DLA in developing guidance on assessing risk to national security for disposal of equipment deemed excess or no longer required is out of scope to their mission. DLA is a procurement activity and responds to the demand signal provided by their DoD customers. The role of assessing risk to mission resides with the Military Departments.

Text of Appendix II: Comments from the Department of Defense

Ms. Diana Maurer

Director, Defense Capabilities Management

U.S. Government Accountability Office

441 G Street, NW

Washington DC 20548

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**GAO DRAFT REPORT DATED JULY 7, 2022. GAO-22-105251
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Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Diana Maurer, (202) 512-9627 or maurerd@gao.gov

Staff Acknowledgments

In addition to the contact named above, Guy LoFaro (Assistant Director), Tina Torabi (Analyst-in-Charge), Alejandro Oliva, Aaron Rochow, Yong Song, Elisa Yoshiara, Ghadeer Lamah, David Jones, Mae Jones, Felicia Lopez, Jerome Sandau, and Patricia Powell made key contributions to this report.

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