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BY THE COMPTROLLER GENERAL

**Report To The Chairman, Subcommittee  
On Legislation And National Security,  
House Committee On Government Operations  
OF THE UNITED STATES**

**The Defense Logistics Agency  
Inspector General Inspections  
Should Change From A Compliance To  
A Systems Approach**

The Inspector General's reports contain some information that would be useful to Department of Defense and congressional decision-makers. The reports also provide information on how subordinate units comply with regulations and directives. However, the effectiveness of these inspections could be improved by reducing reporting of minor deficiencies and shifting inspection emphasis, as the Air Force and Army Inspectors General are attempting to do, to identifying and reporting causes of significant problems.

The potential for fraud, waste, and abuse at Defense Logistics Agency functions, coupled with the decrease of audit coverage of these activities, further dictates the need for the Inspector General to modify his inspection approach. He also should attempt to achieve the annual inspection coverage desired by the Agency Director by using additional temporary inspectors.



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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-134192

The Honorable Jack Brooks  
Chairman, Subcommittee on Legislation  
and National Security  
Committee on Government Operations #1506  
House of Representatives

R Dear Mr. Chairman:

Your letter of November 13, 1978, requested that we review inspector general operations in the Air Force, Army, Navy, Marine Corps, and Defense Logistics Agency. You also asked us to determine whether the new Department of Defense policy of releasing inspector general reports to us is a workable solution to the longstanding problems of obtaining inspection reports and records needed to perform our work.

We received excellent cooperation from Defense Logistics Agency officials and were provided copies of all reports and supporting documentation we requested. Accordingly, we were able to evaluate the effectiveness of the inspection system of the Defense Logistics Agency Inspector General. This report discusses the results of our review and contains several recommendations for strengthening the inspection system.

As you requested, we did not obtain written comments from the Defense Logistics Agency. However, we did informally discuss our findings with Defense Logistics Agency officials and included their comments in the report where appropriate.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of the report. At that time we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,

*Thomas P. Staute*  
Comptroller General  
of the United States

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COMPTROLLER GENERAL'S  
REPORT TO THE SUBCOMMITTEE  
ON LEGISLATION AND NATIONAL  
SECURITY, HOUSE COMMITTEE  
ON GOVERNMENT OPERATIONS

THE DEFENSE LOGISTICS AGENCY  
INSPECTOR GENERAL INSPECTIONS  
SHOULD CHANGE FROM A  
COMPLIANCE TO A SYSTEMS  
APPROACH

D I G E S T

The Defense Logistics Agency has no audit capability of its own and receives only limited audit coverage from the Defense Audit Service. This lack of audit coverage increases the need for a strong inspection system. Inspection reports provide some valuable information; however, the majority of them are compliance oriented and contain many minor findings. Inspections can be improved by directing them more toward identifying significant systems problems, developing causes of problems, and eliminating reporting of minor non-mission-related deficiencies. (See p. 5.)

Duplication between the Inspector General, the Defense Audit Service, and other review groups is not a problem. However, the Inspector General does not have an adequate feedback system for determining the Service's responsiveness to audit requests submitted by the Inspector General. (See p. 9.)

The Defense Logistics Agency inspection system is totally centralized with all inspection personnel reporting to the Inspector General. Temporary inspectors represent less than 2 percent of the total inspection staff-days charged. Using more temporaries could allow for more frequent inspection coverage and provide other advantages. (See p. 12.)

The November 1978 Department of Defense policy regarding the release of inspector general reports and documents to GAO, as implemented by the Defense Logistics Agency for this review, seems to be a workable method for GAO to review and obtain copies of inspection reports. (See p. 17.)

## RECOMMENDATIONS

The Director, Defense Logistics Agency should <sup>378</sup> direct his Inspector General to:

- Modify his inspections by (1) concentrating more on systems problems, (2) developing causes of these problems, and (3) reducing reporting of minor deficiencies.
- Establish a system for identifying which audit requests submitted to the Defense Audit Service are not being addressed so the Inspector General can identify areas he or other Agency activities should inspect. <sup>396</sup>
- Increase the use of temporary inspectors as a means of providing more frequent inspection coverage. Temporary inspectors should be provided guidance and training on their role as inspectors, their work should be monitored to promote objectivity, and whenever possible, they should not have a routine working relationship with the inspected unit.

As instructed by the Subcommittee on Legislation and National Security, House Government Operations Committee, GAO did not obtain written comments from the Defense Logistics Agency. However, GAO considered the views of Agency officials in preparing this report.

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ABBREVIATIONS

DOD	Department of Defense
GAO	General Accounting Office .

## CHAPTER 1

### INTRODUCTION

In November 1978, the Department of Defense (DOD) adopted a new policy for releasing inspector general reports to GAO. The Chairman, Subcommittee on Legislation and National Security, House Committee on Government Operations, subsequently asked us to review the effectiveness of the inspector general functions of the Air Force, Army, Navy, Marine Corps, and Defense Logistics Agency and thus determine if this new policy would be a workable solution to the longstanding problem of GAO access to inspector general reports. This report is the last in a series. The Air Force, Army, Marine Corps, and Navy reports were issued between August and December 1979. 1/

### ORGANIZATION AND ROLE

The Defense Logistics Agency (formerly the Defense Supply Agency) became operational in January 1962, and its first Inspector General was appointed in April 1962. The Agency is a worldwide, logistics organization that supports the materiel readiness of all of the military services. Its mission is accomplished by providing needed supplies and repair parts, administering contracts for weapons and equipment, and by operating a wide range of logistics services programs for the Department of Defense. In fiscal 1978, the Agency employed about 48,500 personnel and its budget was about \$923 million.

The Defense Logistics Agency's mission is carried out through its headquarters and four major field components--supply centers, supply depots, logistics services centers, and Defense Contract Administration Services regions. The supply centers procure and control materiel such as food, clothing, fuel, industrial items, and general supplies and sell these items to the military services. The supply depots receive, store, and issue materiel for the services and some civilian agencies. Logistics services centers each perform a specific service relating to logistic support such as surplus property disposal, management of DOD industrial plant equipment, and the administration of the Federal Catalog System. The Defense Contract Administration Services regions administer contracts

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1/"A Look at the Air Force Inspector General's Inspection System," FGMSD-79-51. "The Army Inspector General's Inspections--Changing from a Compliance to a Systems Emphasis," FGMSD-80-1. "The Marine Corps Inspection System Should Use Resources More Efficiently," FGMSD-80-20. "The Navy Inspection System Could Be Improved," FGMSD-80-23.

awarded by the military services, National Aeronautics and Space Administration, and the Defense Logistics Agency. When requested, the regions also administer contracts for other Federal agencies and State and local governments.

The headquarters offices of the field components are referred to as primary level field activities and most of them have lower level organizations referred to as secondary or tertiary activities. The Inspector General inspects about 740 Defense Logistics Agency and other commercial and military service activities--25 primary, 130 secondary, and about 455 tertiary agency and commercial activities and 130 military service activities, such as supply depots.

### HOW THE INSPECTION SYSTEM FUNCTIONS

The Defense Logistics Agency Inspector General system is centralized. All inspection personnel work for the Inspector General who reports directly to the head of the agency. The inspection personnel are located at the Defense Logistics Agency headquarters in Alexandria, Virginia, and at five regional offices, four in the United States and one in West Germany. During fiscal 1978, the inspection system was authorized 90 personnel (20 at headquarters and 70 at the regional offices) and cost about \$3.2 million. About \$2.6 million of this was for salaries and benefits--\$1.8 million for military and \$0.8 million for civilians--and \$0.6 million was for travel and other costs.

The Inspector General is responsible for performing three functions--inspections, complaints, and noncriminal investigations. We concentrated our review primarily on the inspection function. A description of the other functions is included in appendix IV.

### TYPES OF INSPECTIONS

The Defense Logistics Agency Inspector General performs four different types of inspections. The general inspection is the most frequent inspection conducted. It is broad in scope and covers all functional responsibilities and operations related to mission accomplishment by the inspected activity. From October 1, 1977, through March 31, 1979, the Inspector General conducted about 450 general inspections. The frequency of general inspections ranges from about once a year to once every 3 or 4 years depending on the activity. They are normally announced well in advance; only 11 of the 450 general inspections were unannounced.

The Inspector General also conducts limited inspections, reduced inspections, and special inspections. A limited



inspection is designed to review selected functional areas at an activity where prior general inspections have identified problems. A reduced inspection is a general inspection conducted with a smaller number of inspectors because results of prior inspections, audit findings, and various management reports indicate that the activity has a continued high level of overall mission performance. A special inspection is conducted at the request of the Agency's Director.

Between October 1, 1977, and March 31, 1979, the Inspector General conducted one limited inspection, no reduced inspections and three special inspections. The limited inspection dealt with security, safety, health, and property problems at a primary level field activity, and the special inspections covered procurement of certain brand name subsistence items that are sold by commissaries.

The Inspector General has also conducted some joint inspections or inquiries with the Army, Navy, and Air Force Inspectors General. From October 1977 to March 1979, six joint inspections were conducted covering such areas as general inspections of specific units and special inspections of commissaries and weapon systems support.

#### EVALUATION OF INDEPENDENCE AND OBJECTIVITY OF INSPECTORS

We reported previously that the Air Force, Army, Marine Corps, and Navy Inspectors General are not organizationally independent as are internal auditors because they were not permanently assigned to the inspection function and because the lower level inspectors reported to their individual commanders rather than the agency heads. The Defense Logistics Agency Inspector General organization is more independent because the organization is centralized and all personnel report to the Inspector General, who reports to the Agency Director. In addition, nearly two-thirds of the professional staff are civilians in an established inspection career field. Their appearance of independence is not hampered by former ties or anticipated relationships with inspected activities that can result from temporary assignments to inspection duty.

Moreover, the military personnel that comprise about one-third of the professional inspection staff are taken from their respective services rather than Defense Logistics Agency activities. When their 3-year inspection tour is over, they are not normally reassigned to Defense Logistics Agency activities. This improves their appearance of independence because they do not usually inspect persons they previously worked with or will work with after their inspection duty is completed.

DEFENSE LOGISTICS AGENCY INSPECTOR  
GENERAL SYSTEM DIFFERS FROM CIVIL  
AGENCY COUNTERPARTS

The Defense Logistic Agency Inspector General system is basically different from its civil agency counterparts that were established on October 12, 1978, by Public Law 95-452. The civil agency inspectors general were created primarily to prevent and detect fraud, waste, and abuse. They are centralized, independent organizations with combined audit and investigative capabilities. The civil agency inspectors general are appointed by the President, with the advice and consent of the Senate, for an unlimited term. They report to and are under the general supervision of the agency head. They also periodically report results of their efforts to the Congress. The civil agency inspectors general can be removed from office only by the President, who must communicate the reasons for such action to the Congress.

The Defense Logistics Agency Inspector General inspection system is primarily concerned with identifying areas affecting efficiency, effectiveness, economy, and morale rather than with detecting fraud. Moreover, the Defense Logistics Agency currently has no internal audit or criminal investigations group. The Defense Audit Service provides the Defense Logistics Agency with some audit coverage. Suspected or planned criminal acts are investigated by the respective military service investigative units with jurisdiction over the activity. All criminal matters discovered by the Inspector General are immediately referred to the proper investigative agency through the Defense Logistics Agency Command Security Officer who is not affiliated with the Inspector General.

We reviewed a number of inspection reports prepared by the Inspector General and discussed the inspection system with agency officials. We recommend methods for

--improving the effectiveness of inspections and

--strengthening the inspection system.

These matters are discussed in the following chapters.

## CHAPTER 2

### INSPECTOR GENERAL OPERATIONS

#### COULD BE IMPROVED

The Defense Logistics Agency receives only a limited amount of audit coverage, which increases the need for a strong inspection system. Our review of inspection reports showed that the majority of findings are compliance oriented. Although some findings are significant and would be useful to Agency, DOD, and congressional decisionmakers, the reports do not normally identify causes of problems and contain many insignificant findings. Duplication between inspections and other reviews is being precluded because the Inspector General has implemented an effective coordination system. However, he can improve his system for monitoring audit requests submitted to the Defense Audit Service.

#### INSPECTION REPORTS CONTAIN SOME SIGNIFICANT INFORMATION

Officials we interviewed generally believed that the greatest benefit of the inspections is the information provided about problems within the inspected unit and about the extent to which subordinates are complying with regulations.

Inspector General inspection reports contain some significant information that would be valuable to congressional and DOD decisionmakers. For example, the Inspector General reported that:

- An activity did not promptly dispose of a toxic insecticide (DDT). Most of the DDT had been in storage within the region for more than 3 years and their efforts to dispose of the DDT were ineffective. A status report from the activity's headquarters office about 5 months after the inspection revealed that after resources are provided, disposing of the DDT would probably take 1 to 2 years.
- Timely action had not been taken to dispose of dangerous property in the inventory. The property had been in inventory over 3 years at the time of the inspection. Personnel had been advised to avoid the property, and the immediate storage area was designated as hazardous. (Defense Logistics Agency headquarters later said that the activity's interim action did not address the problem, and headquarters understood that several of the containers were leaking.)

--The military services appear to be violating the DOD Uniform Material Movement Issue and Priority System. The abuse of this system could cost millions of dollars in transportation funds throughout the Defense Logistics Agency if the requirement for premium transportation is not challenged.

The Inspector General noted that over \$207,000 had been saved from March 1977 through February 1978 because a Defense Logistics Agency activity denied questionable military services requests for premium transportation. The inspection finding noted that this problem was of interest to the Congress and recommended that the services be provided feedback in this area.

INSPECTION REPORTS CONTAIN  
MOSTLY COMPLIANCE FINDINGS

The Inspector General categorizes inspection report findings as management improvement, noncompliance, or commendatory. Management improvement observations supposedly identify systems-type deficiencies or some proposed method or procedure to enhance or simplify existing methods of operations. Non-compliance observations identify violations or deviations from directives, and commendatory observations identify actions which are considered outstanding and noteworthy. All inspection report findings must be formally responded to by the activities that need to take corrective actions.

In addition, Inspector General inspections identify other deficiencies that are not considered significant enough to be included in the reports. Those findings are called "nonreportable" and are written up by the inspectors and left with the activity commanders for corrective action. However, non-reportable findings do not require formal responses from the inspected activity.

From October 1977 to March 1979, the Inspector General issued about 370 <sup>1</sup>/<sub>general</sub> inspection reports which contained more than 5,400 findings. In addition, about 1,260 nonreportable findings were left with the inspected activities. The table on the following page categorizes those findings.

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<sup>1</sup>/The 370 inspection reports covered 450 inspections; in some cases, several inspections are combined into one report.

Type of finding	Reportable findings		Nonreportable findings		Total	
	Number	Percent	Number	Percent	Number	Percent
Noncompliance	3,008	56	938	74	3,946	59
Management improvement	2,323	43	324	26	2,647	40
Commendatory	<u>81</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>81</u>	<u>1</u>
Total	<u>5,412</u>	<u>100</u>	<u>1,262</u>	<u>100</u>	<u>6,674</u>	<u>100</u>

As indicated by the above table, 56 percent of the reportable findings, 74 percent of the nonreportable findings, and 59 percent of all inspector general findings are considered noncompliance. Moreover, many of the management improvement findings we reviewed were actually noncompliance findings or represented only minor management improvements. While these types of findings may be of value to the inspected activity, they probably would not be of much interest to the Defense Logistics Agency headquarters or outside groups.

**INSPECTION REPORTS ALSO CONTAIN  
MANY MINOR DEFICIENCIES**

The Inspector General's procedure for not formally reporting insignificant findings is a step in the right direction. However, despite this procedure, officials from inspected activities said that many of the inspection report findings were of questionable importance. Of about 400 inspection report findings we followed up on, 212--or 53 percent--were viewed by officials at the inspected activities as affecting their mission only marginally or not at all. For example:

- Government Transportation Requests that contained errors or were otherwise unusable, were not disposed of appropriately. Unusable or unused requests were not in all cases clearly marked "cancelled," as required; instead, the word "void" was used.
- Average processing times for suggestions exceeded the prescribed time allowed.
- Access to and use of a reproduction machine located in a room adjacent to the Office of Planning and Management was not controlled.
- The appointment letter of an assistant to the property administrator was not current.

These types of findings detract from the effectiveness of an inspection system.

### INSPECTIONS DO NOT FULLY DEVELOP FINDINGS

As noted in our previous reports on the military service inspector general inspection systems, inspectors were normally not identifying causes of problems uncovered during inspections. Thus, in attempting to correct problems, officials were wasting resources by treating symptoms rather than causes. The Defense Logistics Agency Inspector General inspections normally do not identify causes of problems disclosed during inspections even though inspection policy states that inspectors must be primarily concerned with the "why" of excellent or poor performance at the activities inspected.

For example, the Inspector General reported that a large quantity of men's cotton trousers (dungarees), which had been replaced by dark blue utility working trousers, continued to be stocked at one of the military supply centers. The observation was a repeat finding from a previous inspection of the same activity. At the prior inspection, 17,000 pairs of trousers were on hand--a 17-year supply. The current inspection revealed that the inventory had only been reduced to about 14,000 pairs.

While the inspection finding emphasized that management must eliminate the excess supply, there was no indication of why the excess occurred, the extent of this problem at other activities, and what could be done to prevent oversupplies in the future. We believe that in addition to focusing management's attention on reducing excess supply, the Inspector General must explain why problems occur to ensure that corrective action is taken to prevent recurrence of the problems.

Just as we reported on the military service inspection systems, we believe that the Defense Logistics Agency Inspector General's findings are not always fully developed because the inspections, especially at the larger primary level field activities, cover numerous areas in a short time. For example, general inspections of primary level field activities are done in 1 or 2 weeks by 15 to 60 inspectors and cover all functional elements within the activities. The Inspector General characterized this inspection approach as providing a "snapshot" view of the inspected activity. He said the scope of an inspection of an activity was "a mile wide and an inch deep."

We believe that this approach precludes full development of findings and contributes to including many relatively minor compliance findings in the inspection reports because they are

easier to identify in a short time. Many of the activity officials we questioned felt that the inspections attempted to cover too many areas in a short time and therefore only scratched the surface of the problems. They felt the quality of inspection findings could be improved significantly by reducing the scope and/or increasing the time allowed for inspections.

As noted in our reports on the Air Force and Army Inspector General inspection systems, their headquarters Inspectors General are attempting to shift the inspection approach of their lower level inspectors general from identifying minor compliance-type findings to determining causes of significant mission problems. We believe the Defense Logistics Agency Inspector General should do the same.

REDUCED AUDIT COVERAGE  
OF DEFENSE LOGISTICS AGENCY

Reduced Defense Logistics Agency audit coverage increases the importance of the Inspector General's role in identifying causes of significant problems. Before October 1976, the Defense Logistics Agency had its own internal audit group. However, a Secretary of Defense decision to combine different DOD audit groups into one organization to perform functional-type reviews across agency lines eliminated the Defense Logistics Agency internal audit group. Its approximately 150 auditor positions were combined with auditors from other DOD groups to form the Defense Audit Service.

Currently, the Audit Service employs about 400 auditors, and an audit official estimated that about 10 percent of their time is devoted to Defense Logistics Agency audits. Thus, the amount of Defense Audit Service audit coverage of the Defense Logistics Agency is only about 27 percent of that provided when the Agency had its own internal audit group.

We believe that the procurement, supply, and logistics functions performed by the Defense Logistics Agency are highly susceptible to fraud, waste, and abuse and that a strong system of internal controls is needed to prevent this from occurring. The Inspector General is one of these controls and we believe he can play an important role in this area.

DUPLICATION IS NOT A PROBLEM  
BUT COORDINATION WITH DEFENSE  
AUDIT SERVICE CAN BE IMPROVED

Duplication of Inspector General inspections, reviews by other Defense Logistics Agency review teams, and activities' preparations for inspections did not appear to be a

problem. However, the Inspector General does not have an adequate feedback system for determining the Defense Audit Service's responsiveness to audit requests submitted by the Inspector General.

The Inspector General has attempted to eliminate duplication between inspections and other Agency reviews by establishing a policy that headquarters staff visits and other management reviews cannot be performed within 3 months prior to a scheduled Inspector General inspection. The review groups appeared to be complying with this policy. Although more than 50 percent of the activity officials queried said that inspections were duplicated, we found that in comparing selected inspection, management review team, and self-evaluation reports, inspections occasionally overlapped, but findings were not duplicated.

The Inspector General has been designated as the focal point within the Defense Logistics Agency for coordinating all Defense Audit Service audits. The Inspector General reviews all audit requests, then forwards those requests he deems appropriate to the Defense Audit Service. From October 1977 to March 1979, the Inspector General forwarded 66 audit requests to the Defense Audit Service.

Although the Inspector General is forwarding requests for audit to the Audit Service which in turn performs some review work at the Agency, the Inspector General has not established a system for determining which audits are done in response to his requests. A Defense Audit Service official estimated that the Audit Service is responsive to about 50 to 75 percent of the Inspector General's audit requests. However, the Inspector General is not informed of the action taken on the requests; he does not know whether audits are being programmed and conducted. We believe that if the Inspector General controlled audit requests to identify which audit areas are not responded to by the Defense Audit Service, he and his staff could perform an inspection of the area or forward it to other groups for review.

## CONCLUSIONS

The Inspector General's reports contain some information that would be useful to DOD and congressional decisionmakers, and this information should be made available to them. The reports also provide information on how well subordinate units comply with regulations and directives. However, we believe that these inspections could be made more effective by reporting fewer minor deficiencies and shifting inspection emphasis, as the Air Force and Army Inspectors General are attempting to do, from a compliance approach to identifying and reporting causes of significant problems.



The potential for fraud, waste, and abuse at Defense Logistics Agency functions coupled with the decrease of audit coverage of these activities further dictates the need for the Inspector General to modify his inspection approach. He also needs to design a system for identifying which audit requests the Defense Audit Service is not responding to in order to identify areas he or other Agency activities should inspect.

#### RECOMMENDATIONS

To improve the Inspector General inspection system, we recommend that the Director, Defense Logistics Agency direct his Inspector General to:

- Modify his inspections by (1) concentrating more on systems problems, (2) developing causes of these problems, and (3) reducing reporting of minor deficiencies.
- Establish a system for identifying which audit requests submitted to the Defense Audit Service are not being addressed so the Inspector General can identify areas he or other Agency activities should inspect.

### CHAPTER 3

#### INSPECTOR GENERAL RELIES

##### ALMOST TOTALLY ON FULL-TIME STAFF

The Inspector General staffing levels have remained relatively constant over the last several years. Unlike the military service inspection systems, the majority of the Defense Logistics Agency Inspector General staff are civilians. Temporary inspectors are used sparingly; increasing their use could allow for more frequent inspections which the Agency Director desires. Both the military and civilian inspectors appeared to be well qualified.

##### INSPECTION STAFFING LEVELS RELATIVELY CONSTANT

Inspection staffing levels have remained relatively constant since 1975. From July 1973 to August 1975, the Inspector General's staff expanded by about 40 percent to meet the needs of the Agency's expanded overseas mission. As of March 1979, the Inspector General had 90 authorized positions, of which 74 were professional. The following chart shows the breakdown of military and civilian employees at the Inspector General headquarters and at five regional offices.

##### Authorized Inspection Staff as of March 1979

	<u>Professional staff</u>		<u>Civilian support</u>	<u>Total</u>
	<u>Military</u>	<u>Civilians</u>		
<b>Headquarters:</b>				
Office of the Inspector General	2	-	1	3
Inspection Plans and Policies Division	1	3	2	6
Inspection Analysis Division	3	4	4	11
Total headquarters	6	7	7	20
<b>Regional offices:</b>				
Central Area - Chicago, Ill.	5	9	2	16
European Area - Wiesbaden, W. Germany	2	4	1	7
Northeast Area - Philadelphia, Pa.	5	10	2	17
Southeast Area - Atlanta, Ga.	4	7	2	13
Western Area - Alameda, Calif.	5	10	2	17
Total regional offices	21	40	9	70
TOTAL	27	47	16	90

Regardless of whether headquarters or regional offices are responsible for performing an inspection, staff members from both can be used interchangeably. For example, primary level field activity inspections always include some regional office inspectors, and headquarters or other regional office staff sometimes supplement a region's staff in inspecting lower level activities.

#### MAJORITY OF STAFF IS CIVILIAN

Seventy percent of the Inspector General's overall staff and about 64 percent of the professional staff are civilians. Although this is a greater proportion than the military service inspector general systems we reviewed, it is to be expected since 98 percent of the Agency's employees are civilians. The Defense Logistics Agency Inspector General appears to be attempting to comply with DOD's policy of filling each position with a civilian unless the need for a military person can be shown.

Military personnel occupy the top management positions within the Inspector General organization. For example, the Inspector General is an Air Force colonel and each of the regional offices is headed by a high ranking military officer with a civilian second in command. The military inspectors are normally assigned for a 3-year tour of duty. The Inspector General advised us that military personnel are used in top-level positions because of tradition and because they deal extensively with the military services. The heads of most activities he and his staff inspect are military.

#### INCREASED USE OF TEMPORARY INSPECTORS COULD ALLOW FOR MORE FREQUENT INSPECTIONS

The Inspector General stated that because of staffing limitations, he was only able to inspect the primary level field activities about every 20 months. The Defense Logistics Agency Director said he would prefer a 12-month inspection cycle. We believe that increased use of temporary inspectors could allow for more frequent inspections of primary activities without increasing the full-time staff.

As we previously reported, the Navy, Marine Corps, and some lower level Army Inspectors General rely extensively on temporary inspectors who help with an inspection and then return to their regular jobs. However, the Defense Logistics Agency Inspector General makes only limited use of temporary inspectors. They are used on inspections of Agency primary level field activities and selected military services activities, such as Army and Navy supply centers. The temporary

inspectors are normally taken from Agency headquarters staff offices and are used to inspect specialty areas such as data processing, telecommunications, and printing.

From October 1977 through March 1979, the Inspector General used 39 temporary inspectors who accounted for about 330 inspection staff-days. This was less than 2 percent of the total inspection staff-days charged and only about 6 percent of the time charged for primary level activity inspections.

In each of our previous reports on the military service inspection systems, we commented on the advantages and disadvantages of using temporary inspectors. The major advantages of the practice are that it allows for a smaller, full-time inspection staff, and temporary inspectors provide expertise in specialized areas. The major disadvantage is the potential for unobjectivity. Because of their regular involvement in the area, temporary inspectors may not be objective and may be unwilling to report or unable to recognize problems. Although we identified a few instances where temporary inspectors were not objective, most were objective. As long as their work was monitored and they were not inspecting units they worked with closely as part of their regular jobs, they were effective inspectors.

#### Opinions on use of temporary inspectors

The Inspector General limits the use of temporary inspectors because he feels they may not be objective. The majority of the temporary inspectors we interviewed disagreed with the Inspector General's perceptions and said they are not reluctant to write findings, even those which have to be answered by the headquarters to which they are assigned or findings which adversely reflect on policy they were involved in developing. Even the few temporary inspectors who acknowledged that they may not write up such findings stated they would bring the problems back to the headquarters unit so the findings could be properly addressed without going through the formal processing accorded Inspector General findings.

While the majority of the temporary inspectors interviewed did not believe they could be effectively used on secondary and tertiary inspections, one did think that greater use of them could be made at the primary level activities, such as supply centers.

The majority of the temporary inspectors identified advantages of participating in inspections. They stated that the participation afforded them greater opportunity to determine how activities are really operating, especially for those

non-Defense Logistics Agency activities whose staff visits are not accorded the priority of an inspection. Others said that headquarters personnel are more conscious of making findings and recommendations to save money and are better able to identify waste areas or alternative cost savings methods. We were also told that temporary inspectors are more familiar with allowable minor deviations from regulation requirements, and are therefore less likely to write insignificant findings.

Temporary inspectors can also benefit by learning first-hand how management decisions and policies affect the operating levels. Also, some activity officials stated that they would like to see temporary inspectors used more because they could provide needed expertise in such areas as fuel, transportation, and personnel.

#### INSPECTORS APPEARED QUALIFIED

The military and civilian inspectors we observed appeared to be well qualified. The inspectors are high-ranking officers or civilians. Military inspectors range in rank from O-4 (major or lieutenant commander) to O-6 (colonel or captain). Civilian inspectors have a career entry field at the General Schedule-12 level with promotion potential to the General Schedule-14 level.

Inspectors are normally selected for their proficiency in some logistical area, and we found that they were inspecting in these areas. Inspectors also review areas outside of their specialty. Except for the Army personnel who attend the Army Inspector General's orientation course, Defense Logistics Agency inspectors do not receive formal inspection training but instead rely upon on-the-job training. Some of the inspectors indicated that they had received some logistics training. Most of the activity personnel we queried felt the inspectors were qualified.

#### CONCLUSIONS

The majority of the Defense Logistics Agency's inspectors are civilians and temporary inspectors are used only limitedly. We believe that if more temporary inspectors are used, inspections could be made more often, which the Agency Director desires, without increasing the full-time inspection staff. We believe advantages of using temporary inspectors may outweigh disadvantages as long as their work is monitored and they have an objective outlook.

## RECOMMENDATION

We recommend that the Director, Defense Logistics Agency direct his Inspector General to increase the use of temporary inspectors as a means of providing more frequent inspection coverage. The temporary inspectors should be provided guidance and training on their role as inspectors, their work should be monitored to promote objectivity, and whenever possible, they should not have a routine working relationship with the inspected unit.

## CHAPTER 4

### GAINING ACCESS TO INSPECTION REPORTS

#### NOT A PROBLEM DURING THIS REVIEW

Historically, DOD's policy has been that Inspector General reports shall not be furnished to GAO except upon approval of the Secretary of the military department concerned. However, on November 6, 1978, DOD adopted a new policy for releasing Inspector General reports to GAO which provides that:

"Every effort should be made to accommodate the specific needs of GAO on a case-by-case basis--including, as appropriate, release of reports and records, or access without releasing physical custody of the files or reports.

"Each DOD component is authorized to delegate the authority for access to and release of Inspector General reports.

"In those instances where mutual accommodation cannot be worked out, the issue should be forwarded to the Secretary of the Military Department or head of the Defense agency for decision. The Comptroller General has indicated that he will be personally available for discussions to determine whether the needed information can be supplied in some other manner."

The Defense Logistics Agency has revised its directives to reflect the new DOD policy. However, even before the policy was changed, the Defense Logistics Agency gave us and the Defense Audit Service access to its inspection reports. In 1977, we received several copies of subsistence inspection reports when we were planning to conduct a major review in that area. Also, in 1977, while most of the other military departments maintained a restrictive policy concerning inspection reports release, the Defense Logistics Agency revised its policy to provide the Defense Audit Service with visual access to its inspection reports.

#### GAO RECEIVED COMPLETE ACCESS TO REPORTS DURING THIS REVIEW

We received excellent cooperation from the Defense Logistics Agency during this review. We requested and received copies of 43 reports. We were also given visual access to several draft reports which had not yet been approved.

CONCLUSION

DOD's new policy for releasing Inspector General reports and records to us as implemented by the Defense Logistics Agency for this review seems to be a workable method for us to review and obtain copies of inspection reports.



## CHAPTER 5

### SCOPE OF REVIEW

The review was conducted at the Inspector General headquarters, Cameron Station, Alexandria, Virginia, and at four of the five regional offices: the Central Regional Office, Chicago, Illinois; the Southeast Regional Office, Atlanta, Georgia; the Western Regional Office, Alameda, California; and the Northeast Regional Office, Philadelphia, Pennsylvania. Headquarters and regional personnel assigned to these offices represent 93 percent of the Defense Logistics Agency's inspection personnel.

As agreed with representatives of the Subcommittee on Legislation and National Security, House Committee on Government Operations, we concentrated on the inspection function, and generally limited our work involving the functions of complaints and noncriminal investigations to gathering information on the role of the Inspector General in these areas.

We visited 12 primary and 7 secondary Agency field activities and 2 non-Defense Logistics Agency activities. Supply activities visited included four primaries: the Defense Personnel Support Center, Philadelphia, Pennsylvania; the Defense Electronic Supply Center, Dayton, Ohio; the Defense Construction Supply Center, Columbus, Ohio; and the Defense Industrial Supply Center, Philadelphia, Pennsylvania; and two secondaries, the Defense Subsistence Office, Columbia, South Carolina, and the Defense Fuel Region, Los Angeles, California.

Logistics services activities visited included three primaries: the Defense Industrial Plant Equipment Center, Memphis, Tennessee; the Defense Logistics Agency Administration Support Center and the Defense Documentation Center, Alexandria, Virginia; and two secondaries, the Defense Property Disposal Regions in Memphis, Tennessee and Columbus, Ohio.

Contract administration activities visited included three primaries: the Defense Contract Administration Services Regions in Marietta, Georgia; Philadelphia, Pennsylvania; and Los Angeles, California; and the three secondary Contract Administration Services Management Areas in those cities.

We visited two primary level defense depots located in Memphis, Tennessee, and Mechanicsburg, Pennsylvania. We also visited two non-Agency activities; the Naval Supply Center, San Diego, California; and the New Cumberland Army Depot, New Cumberland, Pennsylvania.

We obtained copies of 43 inspection reports and related documentation. We followed up on over 400 reported observations to determine their significance and corrective action taken. Where possible, we accompanied inspectors on scheduled inspections and observed portions of the inspections to determine the approach and general manner in which they were conducted.

We interviewed the Agency Director and other headquarters personnel. We interviewed appropriate management personnel and officials from other agencies to determine if findings were being corrected. We also contacted the Defense Audit Service and management review group personnel to determine the extent of coordination between them and the Inspector General.

In addition, we interviewed members of two DOD task force groups whose evaluations were concerned with DOD inspection systems. One task force group was initiated by DOD while the other was required by the Inspector General Act of 1978, Public Law 95-452, of October 12, 1978.

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NINETY-FIFTH CONGRESS

**Congress of the United States**  
**House of Representatives**

LEGISLATION AND NATIONAL SECURITY SUBCOMMITTEE  
 OF THE  
 COMMITTEE ON GOVERNMENT OPERATIONS  
 RAYBURN HOUSE OFFICE BUILDING, ROOM 8-373  
 WASHINGTON, D.C. 20515

November 13, 1978

Honorable Elmer B. Staats  
 Comptroller General of the U.S.  
 General Accounting Office  
 441 G Street, N.W.  
 Washington, D.C. 20548

Dear General:

As you know, through the efforts of Assistant Secretary Fred P. Wacker the Department of Defense adopted on November 6, 1978 a new policy for releasing Inspector General reports to GAO. While I remain concerned over past refusals of the Department of Defense to provide GAO necessary information, I am hopeful that this will mean GAO will have access to all the information it needs to be able to effectively carry out its work.

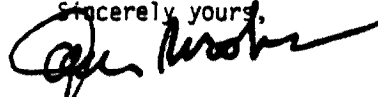
I believe it is in order, therefore, for GAO to immediately determine whether or not this new policy will in fact prove to be a workable solution to this long-standing problem. This can be best accomplished by a GAO review of the Inspector General functions of the Departments of the Army, Navy, Air Force and Marine Corps and of the Defense Logistics Agency. Such a review will be timely in light of the study mandated in the Inspector General legislation and will assist the Subcommittee in its ongoing review of DoD internal management control activities. Such a study should encompass an evaluation of the organization, role, staffing, independence, quality of work and effectiveness of these agencies.

Because of the importance of this review, it will be necessary to have it completed as expeditiously as possible. I would expect to receive a final report on the Department of the Air Force Inspector General not later than May 31, 1979, final reports on the Navy and Marine Corps Inspectors General not later than July 31, 1979, and final reports on the Army and Defense Logistics Agency Inspectors General not later than September 30, 1979. While these are tight deadlines, they can be met if sufficient resources are devoted to this project. And, as usual, I request that GAO not provide draft reports to the affected agencies for official comment, which should also enable you to meet these deadlines.

I would appreciate it if the GAO staff members who will be assigned to this review would meet as soon as possible with members of my staff to discuss in detail the questions the Subcommittee desires to have dealt with by the review.

With best wishes I am

Sincerely yours,

A handwritten signature in black ink, appearing to read "Jack Brooks", written in a cursive style.

JACK BROOKS  
Chairman

JACK BROOKS, TEX., CHAIRMAN  
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NINETY-SIXTH CONGRESS  
**Congress of the United States**  
**House of Representatives**  
 LEGISLATION AND NATIONAL SECURITY SUBCOMMITTEE  
 OF THE  
 COMMITTEE ON GOVERNMENT OPERATIONS  
 RAYBURN HENRICH OFFICE BUILDING, ROOM B-373  
 WASHINGTON, D.C. 20515

March 28, 1979

Honorable Elmer B. Staats  
 Comptroller General of the U. S.  
 General Accounting Office  
 441 G Street, N. W.  
 Washington, D. C. 20548

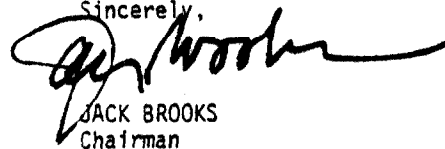
Dear General:

Last November I asked GAO to conduct comprehensive reviews of the Inspector General functions of the Departments of Air Force, Army, Navy, Marine Corps, and the Defense Logistics Agency. Since it is important to have the results of these reviews prior to the completion of the Department of Defense's own Task Force review of the operations of its audit, inspection and investigative components, I asked for early completion dates with the latest report being submitted to the Subcommittee no later than September 30, 1979.

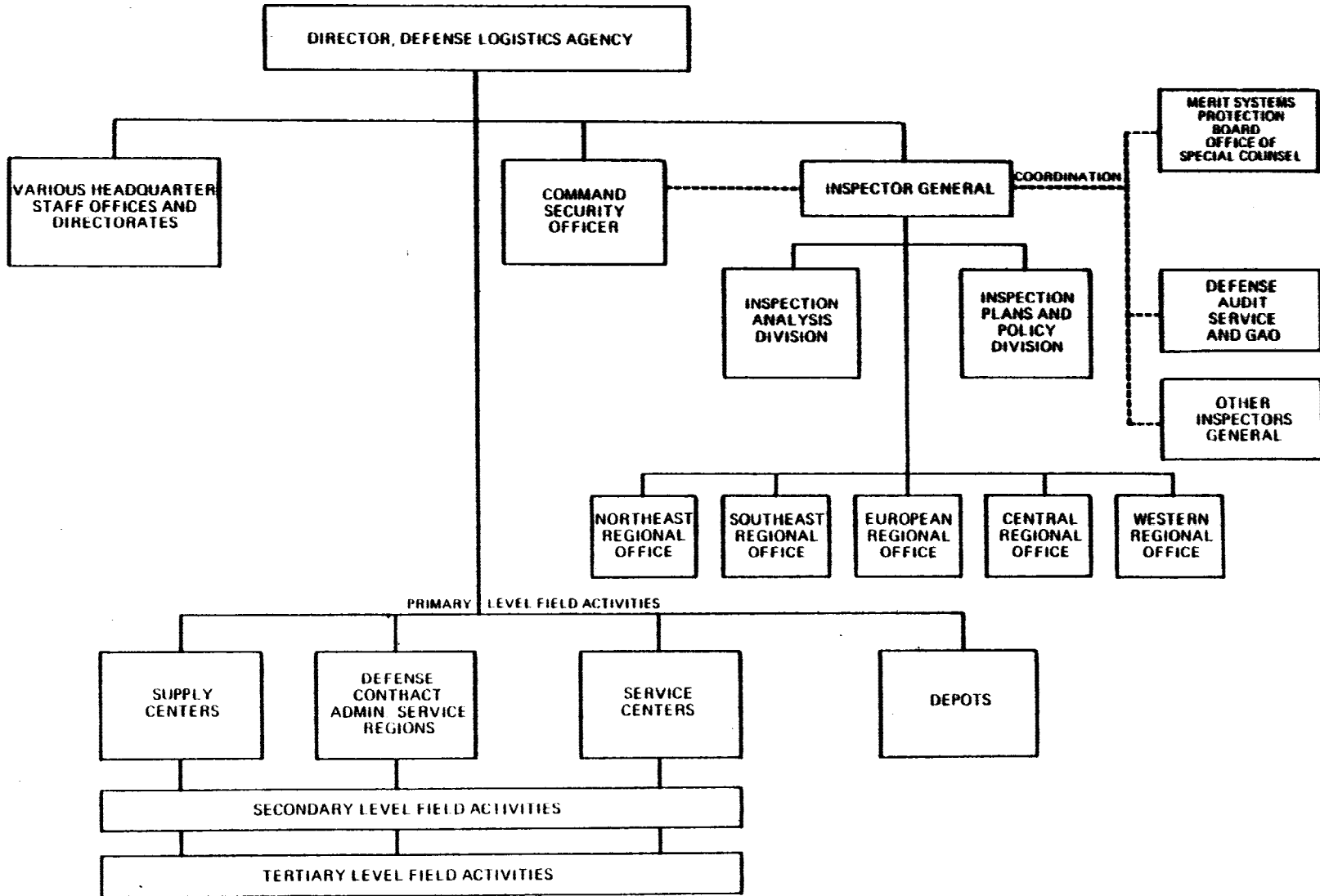
It is now my understanding that GAO, after beginning work on these reviews, feels that more time than originally planned will be needed because of the sizes and differing organizational structures of these offices. This being the case, I am agreeable to allowing some additional time but must continue to stress the importance of the reviews being timely. It is, therefore, my hope that the Air Force report will be available no later than August 31, 1979, the Army report no later than October 31, 1979, and the Navy and Marine Corps and Defense Logistics Agency reports no later than December 31, 1979.

I appreciate the amount of resources and talent you are devoting to these important projects.

Sincerely,

  
 JACK BROOKS  
 Chairman

DEFENSE LOGISTICS AGENCY INSPECTOR GENERAL ORGANIZATIONAL RELATIONSHIPS



INSPECTOR GENERALNON-INSPECTION FUNCTIONS

Besides conducting inspections, the Inspector General is responsible for taking complaints and performing non-criminal investigations and inquiries.

COMPLAINTS AND ASSISTANCE

The Inspector General's complaints system was established for rendering assistance, correcting injustices affecting individuals, and eliminating conditions detrimental to the efficiency and reputation of the Defense Logistics Agency. Complaint and request for assistance sessions are held in conjunction with all Inspector General inspections and individuals can also submit written complaints or requests.

Between October 1977 and March 1979, the Inspector General received, reviewed, and processed about 1,200 oral and 26 written complaints and requests for assistance. Complaints are usually resolved by referring the complainant to the proper channel in the chain of command. Valid complaints sometimes result in observations which are included in inspector general reports. Complaints deal with such areas as job classifications, merit promotion programs, and working conditions and safety.

INVESTIGATIONS AND INQUIRIES

The investigation and inquiry system provides a formal avenue for evaluating allegations, reports of conditions, or situations that usually involve suspected mismanagement or improper conduct. An investigation results in a written report. An inquiry is less formal and may or may not result in a written report. The Inspector General does not investigate criminal, intelligence, or security matters since such investigations are handled by the appropriate military investigative service. Previous investigations and inquiries have included contractor allegations of improper contract administration against a Defense Contract Administration Service region and improper conduct by a contract administration chief.

The inspector general investigation and inquiry reports describe in detail the allegation, condition, or situation under investigation, and include the investigator's conclusion. Each report contains recommendations of specific actions that need to be taken to correct the problems discovered during the investigation or inquiry. When approved by the Agency's Director, the recommendations contained in

a report of investigation or inquiry constitute corrective action to be taken by activities involved, on which the Inspector General follows up during the next inspection.

In the past, investigations and inquiries were a minor part of the Inspector General's workload. However, investigations referred by the Merit Systems Protection Board's office of special counsel and "whistle blower" allegations to the Director have steadily increased that workload. Between October 1977 and March 1979, the Inspector General conducted only 4 investigations and inquiries; between April and August 1979, 13 investigations and inquiries were conducted.



### OUR OBSERVATIONS OF INSPECTIONS

Inspectors are not required to prepare formal working papers to support their work and findings, so documented evidence of the quality of their work is scarce. Instead of working papers, inspectors verify their findings by briefing inspected officials and reaching an agreement with them on the facts. To determine the quality of their work, we interviewed inspected officials, followed up on selected inspection findings, and observed portions of ongoing inspections. A brief overview of the inspection process is provided below followed by descriptions of some of the inspections we observed.

#### OVERVIEW OF THE INSPECTION PROCESS

The inspection process in the Defense Logistics Agency involves scheduling, planning, inspecting, reporting, and followup. Scheduling is a coordinated effort between the Inspector General headquarters and regional offices. The other elements of the process are primarily dependent on the individual inspectors assigned to the inspection and their knowledge of the areas to be inspected. Generally, the following describes what occurs.

- Inspection schedules for primary level activities are prepared annually. Headquarters develops a plan for these activities which include scheduled inspections for the previous 2 years, the current year, and the 3 future years. The regional offices schedule inspections of secondary and tertiary level activities around the primary inspections based on each region's priorities. The inspected activities normally receive advance notice of inspections.
- Staff assignments are usually made 30 to 60 days before the inspection. Each inspector is responsible for developing his or her inspection plans. The inspected activity provides the inspectors with organizational information before they arrive. The inspectors also receive pertinent reports, surveys, studies, or other items to be reviewed from the Agency headquarters staff offices.
- At the beginning of the inspection, opening briefings are held with inspected officials to describe the purpose of the inspection. The inspectors set their own priorities during the inspection based on their knowledge and experience in the areas they are reviewing and requirements made by headquarters' staff and the

Agency Director. Draft observations are coordinated with the head of the inspected unit before being reviewed by the chief inspector and/or the Inspector General, who review all observations to make sure they are not contradictory or repetitive. The chief inspector or the Inspector General determines which observations will be reported in the inspection report and which will be included as minor deficiencies. When a functional area is inspected, the inspector responsible for that area holds an exit conference. At the end of the inspection, the chief inspector or Inspector General holds formal exit meetings with the activity's commander, deputy, and other key officials.

--The formal inspection reports are supposed to be issued within 60 days of the end of the inspection, however, primary level inspection reports are actually being issued about 110 days after the inspection. During this period, the individual findings are reviewed and commented on by the inspected activity, the Agency headquarters offices, and the Inspector General.

--Corrective actions which are to be taken by the inspected activity are followed up on during subsequent inspections.

DEFENSE LOGISTICS AGENCY INSPECTION OF  
THE DEFENSE GENERAL SUPPLY CENTER

The Inspector General inspected the Defense General Supply Center from March 19 to 30, 1979. We observed the last 4 days of the 2-week inspection of this primary level field activity. A total of 51 full-time inspectors participated and were divided into 12 inspection teams. Each team inspected one directorate or staff office within the activity. In addition, five temporary inspectors were used to review the legal, security, data automation, printing, and telecommunications areas. All but one of the temporary inspectors reported to a team chief who was a member of the permanent inspection staff.

We observed a special briefing being given to an inspection team on the policy and procedures for shipment of hazardous material. The briefing also included a question and answer session.

We attended the exit conference with one of the staff officers. All of the reportable observations written against the staff office were discussed. Since each observation is coordinated through the head of the staff office before being given to the Inspector General for approval, this meeting was

at least the second opportunity the heads of the staff office had to discuss findings with the inspection team. At the closeout conference, the team chief outlined the findings and then briefly discussed those findings that the office chief believed were valid and those he believed were mis-directed.

At the end of the inspection, the Inspector General and his staff held a formal exit conference with the activity commander and his directors and staff officer. After a few remarks by the Inspector General, each inspection team chief read a synopsis of the observations he or she considered significant. Each team chief gave an overall rating for the directorate that he or she inspected as well as an opinion on employee morale.

We also met with several of the directors and staff officers in private to discuss the inspectors approach and some of the observations. They generally felt that the inspectors seemed knowledgeable in the areas they were inspecting. However, we did note several instances in which the directors or staff officers either did not agree with findings, or stated that although they were valid, they should have been written against another directorate, which had the authority to correct the deficiency. Only one director we interviewed was critical of the inspection; he did not perceive the inspection as providing any help to his operations. The other directors we talked to felt the inspection was helpful in improving overall operations.

#### INSPECTION OF SECONDARY AND LOWER LEVEL FIELD ACTIVITIES

GAO observed portions of several inspections of Defense Logistics Agency secondary and lower level field activities. With few exceptions, the inspection procedures for secondary and tertiary field activities are similar to those used at the primary level field activities. The major difference between the primary and lower level inspection procedures is level of responsibility--the senior inspector general representatives (chief inspectors) rather than the Inspector General are responsible for reviewing all observations after they have been coordinated with the head of each functional area.

#### Defense Property Disposal Office, Warner Robins Air Force Base, Georgia

We observed the Southeast Regional Office's inspection of a Defense Property Disposal Office from June 4 to 8, 1979. This activity is a tertiary level activity located at Warner

Robins Air Force Base, Georgia. It consists of six directorates with 62 assigned personnel. The inspection team was staffed with five inspectors including the chief inspector. The inspection areas we observed were (1) liaison visits, (2) the Property Management and Documentation branches, (3) report completion, and (4) the exit conference.

Before arriving at the inspection site, the team coordinator prepared a list showing the areas assigned to each inspector. The inspectors' assignments were based on the magnitude of the operation and the expertise needed, and the assignment list was developed to give the inspectors an opportunity to prepare for the inspection.

The inspection team appeared knowledgeable and conducted themselves professionally. However, they appeared to concentrate their efforts primarily in the areas covered by the previous inspection reports.

The chief inspector did not become involved with the observations until after the commander had reviewed them. The inspectors discussed each observation with the activity branch chief who indicated the facts were correct by initialing the writeup. The observation was then sent to the commander and then to the chief inspector for approval. If the branch chief or commander refused to sign an observation, it was still included in the report unless proved invalid.

On the afternoon of the next to last day of the inspection, the inspectors finalized their observations and listed them in descending order of importance. The chief inspector summarized the inspection results at an exit conference held on the last day of the inspection.

Defense Contract Administration Services  
Management Area, Garden City, New York

We accompanied an inspection team from the Northeast Regional Office on an inspection of the Defense Contract Administration Services Management Area in Garden City, New York. The chief inspector advised us that this was a typical inspection for this type--secondary level--of activity. The inspection was scheduled for 5 days, June 25 to 29, 1979. We attended the entrance conference, an orientation briefing on quality assurance, and participated in quality assurance field visits to resident sites at six of the nine contractors plants the inspectors visited. We also discussed complaints brought to the attention of the inspection staff. We believe that the inspection was conducted professionally and many observations appeared to be useful to the commander as well as to the Defense Logistics Agency.

Inspected contractor sites were selected based on a review of the monthly activity reports and the previous inspection report. The contractor was not notified in advance of the selection in order to attain the element of surprise associated with an unannounced inspection. If serious observations were observed at a site during the last inspection, the contractor will normally be scheduled for another inspection.

The inspections at each of the six sites we visited were carried out professionally. The inspectors we accompanied were well prepared and clearly understood the quality assurance functions they inspected. The inspection routine primarily consisted of a records review at the resident sites and included reviews of contracts, quality deficiency reports, chronologies, forms, quality assurance programs in place, and compliance with those programs.

The approach was toward compliance with regulations and specifications rather than management improvement. Inspectors did not use checklists, but they made similar inspections at all of the sites we visited. The contractor's control file on the status of previously reported observations and a contract management review team report were requested. We were informed that the review of this material, as well as informal coordination, was conducted by the inspectors after normal working hours.

Branch chiefs, quality assurance representatives, and quality assurance assistants were at the inspectors' disposal throughout the inspection periods. However, since a great deal of the inspection involved records review, all of the individuals served little need.

The chief inspector briefed us on the complaint session held during the inspection. In addition to the normal personnel complaints, he received two other allegations, on which he followed up.

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