DEFENSE INVENTORY

Most Excess Property in Panama Was Disposed of Properly, but Some Control Weaknesses Existed
## Contents

### Letter

3

### Appendixes

<table>
<thead>
<tr>
<th>Appendix</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appendix I</td>
<td>Scope and Methodology</td>
<td>24</td>
</tr>
<tr>
<td>Appendix II</td>
<td>Dollar Value and Types of Excess Property Processed by Dyncorp</td>
<td>26</td>
</tr>
<tr>
<td>Appendix III</td>
<td>Examples of How Some Excess Property From Closing Facilities in Panama Were Used</td>
<td>27</td>
</tr>
<tr>
<td>Appendix IV</td>
<td>Examples of Exchange Packages Agreed Upon by the United States and the Government of Panama</td>
<td>30</td>
</tr>
<tr>
<td>Appendix V</td>
<td>Comments From the Department of Defense</td>
<td>31</td>
</tr>
<tr>
<td>Appendix VI</td>
<td>GAO Contacts and Staff Acknowledgments</td>
<td>32</td>
</tr>
</tbody>
</table>
November 9, 2000

The Honorable James M. Inhofe
Chairman, Subcommittee on Readiness
and Management Support
Committee on Armed Services
United States Senate

Dear Mr. Chairman:

The Panama Canal Treaty, signed in 1977 by the United States and the Republic of Panama, called for the United States to transfer control over the Panama Canal to Panama and withdraw U.S. military forces and equipment from Panama by December 31, 1999. A treaty implementing agreement allowed the U.S. government to remove or dispose of all equipment and supplies acquired for use by U.S. forces. By December 31, 1999, the United States had closed all of its 43 facilities in Panama, removed and disposed of excess personal property\(^1\) ranging from motor vehicles to medical equipment, and withdrawn its military presence from Panama. The U.S. Southern Command,\(^2\) the military services, and the Defense Logistics Agency, through its Defense Reutilization and Marketing Service,\(^3\) were responsible for disposing of excess equipment and supplies.

U.S. plans for withdrawal from Panama required excess property to be processed using disposal procedures that gave the military services and the federal agencies the first opportunity to receive the property. Originally, it was expected that much of the excess property located in Panama would be obtained by the U.S. Agency for International Development and

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\(^1\) Department of Defense (DOD) personal property is defined as military equipment or general support equipment and supplies used in day-to-day mission, administrative, or logistical operations.

\(^2\) The Southern Command is a regional unified command that oversees U.S. military operations in 19 countries in Central and South America and it was responsible for carrying out the treaty implementation plan. Its headquarters was previously located in Panama but moved to Miami, Florida, in September 1997.

\(^3\) The Defense Reutilization and Marketing Service, a component of the Defense Logistics Agency, operates offices to reutilize, donate, destroy, or sell excess property. We refer to its office in Panama as the disposal office.
distributed to charitable organizations in Panama. However, when negotiations with Panama to retain a U.S. presence at Howard Air Force Base for drug interdiction activities were unsuccessful, the U.S. Southern Command used available authority to obtain a waiver so that charitable organizations were given priority over federal agencies for obtaining excess personal property. The Command hired a contractor to facilitate the distribution of some excess personal property to charitable organizations for humanitarian aid throughout Central and South America. Recently, questions surfaced in the media concerning the procedures followed for the disposal of excess personal property in Panama during 1998-99.

As requested, we reviewed the disposal of excess personal property from U.S. military facilities in Panama during 1998-99. Specifically, we evaluated (1) the methods used for property disposal, (2) the extent of direction and control the Southern Command exerted over property allocations and distributions to charitable organizations facilitated by its contractor to facilitate property distribution, and (3) the extent that DOD records fully accounted for the disposed excess property. An Army Criminal Investigation Command inquiry that focused on whether some of the excess property in Panama may have been improperly obtained by a charitable organization was being conducted concurrently with our review. We focused our review on management control issues to avoid overlapping this ongoing investigation. The scope and methodology of our work are described in appendix I.

Results in Brief

During 1998 and 1999, excess property resulting from the withdrawal of troops from Panama was disposed of by a variety of methods. The methods included processing the excess property through the Defense Reutilization and Marketing Service’s Panama disposal office, using a contractor to distribute the property, exchanging the excess property with the Panamanian government for services, and selling household appliances to defense personnel. The Panama disposal office processed excess property with a value of $136.7 million, with $94.8 million (69 percent) directly disposed of by the disposal office and about $41.9 million (31 percent) turned over to the Southern Command’s contractor and distributed to government agencies and charitable organizations. Excess property with a market value of $2.7 million was exchanged with the Panamanian government for such things as office space, traffic police services, and veterinarian services. Also, 3,717 excess household appliances, such as
stoves and refrigerators, were sold to U.S. military and civilian personnel for transfer to their new duty stations.4

Because of a larger than expected volume of excess property that became available during 1999, the Southern Command changed its control procedures for allocating excess property to charitable organizations, leaving many of those decisions to its contractor. Initial procedures required Southern Command staff to (1) review the types of excess properties becoming available and charitable organizations’ requests for excess properties; (2) determine which property would be distributed to defense organizations for transfer either to the Panamanian government or for humanitarian aid; and (3) determine which charitable organizations would receive the remaining property, based on equitable distribution and need, and provide written authorizations to the contractor for distribution of the property. As a result of the modified procedures, written authorization existed for only $18.9 million (45 percent) of the $41.9 million of excess personal property processed by the contractor. Whether greater Command involvement would have affected the allocation of property among the various charitable organizations is unclear.

The Panama disposal office accounted for all but $691,000 (less than 1 percent) of the $136.7 million of excess property it processed during 1998 and 1999. Disposal office records show that property valued at $691,000 was written off as lost. More importantly, however, is an additional $6.6 million of excess property that the military services reported as being sent to the Panama disposal office but never recorded as received. Of the $6.6 million, about $1.5 million involved property requiring special handling such as firearms, communication equipment, and gun parts. We reviewed 80 shipments containing such property but could only trace the actual disposition of 39 shipments. The 39 shipments were originally unaccounted for because disposal transactions were not always recorded correctly in the Army's inventory records. Also, DOD's In-transit Control System5 and inventory control procedures and processes designed to protect excess property from loss or theft were not always followed in Panama because personnel were not adequately trained to comply with the processes and procedures. For the remaining 41 shipments, we could not determine the

4 DOD did not assign a value to these items.

5 DOD's In-transit Control System tracks shipments of excess property between military activities and the Defense Reutilization and Marketing Service's disposal offices.
disposition because records were incomplete or could not be located. The lack of such information makes the property vulnerable to loss and undetected theft since no documentation is available to track its location. The Department recognizes the need to properly manage and account for its assets and is working on a long-term strategy for developing an information system that provides in-transit control and visibility.

This report includes a recommendation to the Secretary of Defense that supply personnel be sufficiently trained on property disposal control procedures. The Department agreed with the recommendation.

Background

In 1903, following its declaration of independence from Colombia, Panama and the United States entered into a treaty that gave the United States exclusive rights to construct and manage an interoceanic ship canal 50 miles across the isthmus. In addition to operating the canal, the United States had sovereignty over the territory along the canal until 1977, when the United States and Panama signed the Panama Canal Treaty. This treaty recognized Panama as having sovereignty over the Panama Canal and required the withdrawal of the U.S. military presence from Panama by December 31, 1999. Treaty provisions required that the United States transfer, without charge, all U.S. military real property (e.g., lands, buildings, structures, and utilities systems) to the Panamanian government.

The withdrawal of the U.S. military presence from Panama was a major undertaking. In 1979, DOD maintained 4,827 buildings on 43 facilities in Panama. DOD's treaty implementation plan, approved by the Secretary of Defense in 1992 and updated in 1993 and 1994, included steps to relocate or deactivate about 10,050 military personnel, 3,000 U.S. civilians, and 5,200 non-U.S. civilian personnel and transfer all Defense facilities to Panama by the end of 1999. From 1979 through 1999, the United States closed its 43 facilities in Panama and disposed of the excess property. As of December 31, 1999, DOD had transferred real property with an estimated market value of $3.8 billion to Panama.
The Federal Property and Administrative Services Act distinguishes between foreign excess personal property, such as that located in Panama, and excess property in general and contains specific provisions, including 40 U.S.C. 512, that pertain to its disposal. The U.S. Southern Command's (SOUTHCOM) disposal plan recognized the requirements of this and other applicable laws.

Once a military activity or the Defense Logistics Agency declares property excess to its needs, the property enters the disposal process. Excess property is usually sent to a Defense Reutilization and Marketing Service disposal office for disposition with the exception of firearms, items with restricted or secrecy designations, and pharmaceuticals that are to be destroyed and disposed of by the military component that has the items. Upon receipt, disposal office personnel examine the property for condition, verify the quantity and acquisition value, and identify special handling requirements such as those for military unique items comprised of technologies, capabilities, and weapons that should not be made available to the public.

An agreement implementing the Panama Canal Treaty allowed the U.S. government to remove from Panama or dispose of all equipment and supplies acquired for use by U.S. forces. SOUTHCOM was responsible for developing a logistics management plan, which set forth policy and guidance for the management and disposition of excess equipment and supplies, referred to in the plan as personal property. A key provision of the plan was that all excess personal property would be processed using the disposal procedures, processes, and controls that DOD ordinarily uses.

Federal civil agencies screen the foreign excess property for eventual return to the United States either for their immediate use or their donation.

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6 Basically, foreign excess property is excess property located outside of the United States, its territories, and possessions (40 U.S.C. 472(f)).


8 The Federal Property Administrative Services Act of 1949, as amended (40 U.S.C. 471-486 and 511-514), places responsibility for the disposition of government real and personal property with the General Services Administration (GSA) and authorizes DOD to dispose of its foreign excess personal property.

9 GSA advises that property returned for donation is foreign excess property until it reaches the United States. At that time, it becomes “surplus” property and is disposed as such (40 U.S.C. 512(c)).
Other DOD activities and the U.S. Agency for International Development also screen the foreign excess property. In this way, both SOUTHCOM and the Agency obtain foreign excess property for humanitarian assistance purposes. When this screening is completed, the remaining foreign excess property can be disposed of by sale, lease, transfer, abandonment, or destruction; it may be used to discharge claims, or may be used in substantial benefit transactions.

Excess personal property in Panama requiring disposal represented a wide range of items. Specifically, the excess items included motor vehicles, furniture, appliances, maintenance and support equipment, office machines and equipment, medical equipment and supplies, food, and military unique items comprised of technologies, capabilities, and weapons that should not be made available to the public.

DOD sometimes uses contractors to handle disposal processes involving excess property when doing so is cost-effective or when the disposal process is overburdened during specific events, such as the final phases of withdrawal of U.S. forces from Panama.

Disposal Methods During the Last 2 Years of Military Operations in Panama

Because of changing disposal objectives and increasing quantities of excess property, DOD used several methods to dispose of excess property in Panama during 1998-99. Disposal records showed that $136.7 million\(^{10}\) of excess personal property was processed by the disposal office. About $94.8 million (69 percent) was disposed of by the disposal office, and $41.9 million (31 percent) was turned over to DynCorp Aerospace Technology (a contractor) and distributed to government agencies and charitable organizations. Some of the excess property processed by the disposal office and DynCorp was distributed for humanitarian aid throughout Central and South America. Also, an additional $2.7 million of

\(^{10}\)DOD generally uses the standard price (i.e., latest acquisition cost and a surcharge covering the costs to operate the supply system) throughout its logistics systems to value inventory. Excess property processed by the Panama disposal office also included values assigned by the military services for items that they had purchased locally and values assigned by disposal office personnel to several single items of nonsensitive property under $800 in value that were accumulated together as a batch lot. We recently testified on problems that DOD has in valuing its personal property (Department of Defense: Progress in Financial Management Reform, GAO/T-AIMD/NSIAD-00-163, May 9, 2000). However, throughout this report, the value associated with excess inventory is the value recorded in disposal office records unless otherwise noted.
property (fair market value) was transferred to Panamanian government organizations in return for services to U.S. personnel, and 3,317 excess household appliances were sold to U.S. military and civilian personnel for transfer to their new duty stations.

*Most Excess Property Processed by Panama Disposal Office*

During 1998 and 1999, the Panama disposal office processed excess equipment and supplies recorded as valued at $136.7 million. Table 1 shows the value and disposition of the property according to disposal office records for 1998-99.

<table>
<thead>
<tr>
<th>Disposition</th>
<th>Value</th>
<th>Percent of total</th>
<th>No. of Items</th>
<th>Percent of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Military units</td>
<td>$17,449</td>
<td>12.8</td>
<td>158,038</td>
<td>8.5</td>
</tr>
<tr>
<td>Other federal agencies</td>
<td>20,070</td>
<td>14.7</td>
<td>302,094</td>
<td>16.3</td>
</tr>
<tr>
<td>DynCorp (for redistribution)</td>
<td>41,948</td>
<td>30.7</td>
<td>373,197</td>
<td>20.1</td>
</tr>
<tr>
<td>State and local governments</td>
<td>1,679</td>
<td>1.2</td>
<td>4,045</td>
<td>0.2</td>
</tr>
<tr>
<td>Scrap</td>
<td>10,375</td>
<td>7.6</td>
<td>84,256</td>
<td>4.5</td>
</tr>
<tr>
<td>Military items (destroyed)</td>
<td>6,346</td>
<td>4.6</td>
<td>8,396</td>
<td>0.5</td>
</tr>
<tr>
<td>Inventory losses (write-offs)</td>
<td>691</td>
<td>0.5</td>
<td>18,051</td>
<td>1.0</td>
</tr>
<tr>
<td>Public sales</td>
<td>38,153</td>
<td>27.9</td>
<td>908,467</td>
<td>48.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$136,711</strong></td>
<td><strong>100.0</strong></td>
<td><strong>1,856,544</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Our analysis of Defense Reutilization and Marketing Service data.

About $94.8 million was disposed of by the disposal office, including about $17.4 million, which was provided to military activities. These activities included U.S. military affairs groups located in foreign countries in support of humanitarian assistance projects, and property was transferred to the Panamanian government in exchange for services. About $20 million was provided to other federal agencies, including the U.S. Agency for International Development office in Panama, and about $1.7 million was donated to state and local governmental agencies in the United States. An additional $41.9 million was turned over to DynCorp for
Although the Panama Canal Treaty specified that all U.S. military forces would be withdrawn from Panama, according to DOD the treaty did not preclude the United States from negotiating an agreement with Panama for the permanent stationing of U.S. military forces in Panama after 1999. Accordingly, the United States was negotiating with Panama to retain a presence at Howard Air Force Base for drug interdiction activities. In late 1998, negotiations were unsuccessful and SOUTHCOM decided that it did not want all of its excess property to remain in Panama. SOUTHCOM decided to donate as much of its excess property as possible for humanitarian needs in countries throughout Central and South America. On February 4, 1999, the Defense Logistics Agency approved a SOUTHCOM request to waive normal disposition priorities so that charitable organizations could be given priority over federal agencies for receiving excess property in Panama. This action effectively redirected the distribution of humanitarian aid to locations in Central and South America other than Panama.

According to Defense Reutilization and Marketing Service plans and related Panama disposal office documents, the disposal office was prepared to handle the surge of excess property associated with U.S. forces withdrawing from Panama. However, disposal office officials told us they did not have the resources for the added work that would be associated with screening, holding, and storing the excess property that SOUTHCOM wanted donated to charitable organizations and disseminated throughout the region. As a result, SOUTHCOM used DynCorp at about 28 sites to advise and assist charitable organizations and government agencies that wanted to obtain excess property. The disposal office required DynCorp to submit written requests for specific items of excess property to be taken off the office records. DynCorp was expected to reallocate the property to recipients designated by SOUTHCOM.

As shown in table 1, disposal office records identified 373,197 items valued at $41.9 million as being transferred to DynCorp. This represents 20 percent of the quantities and 31 percent of the dollar value of the excess property processed by the disposal office during the last 2 years of U.S. military

| Property Processed by Contractor | Although the Panama Canal Treaty specified that all U.S. military forces would be withdrawn from Panama, according to DOD the treaty did not preclude the United States from negotiating an agreement with Panama for the permanent stationing of U.S. military forces in Panama after 1999. Accordingly, the United States was negotiating with Panama to retain a presence at Howard Air Force Base for drug interdiction activities. In late 1998, negotiations were unsuccessful and SOUTHCOM decided that it did not want all of its excess property to remain in Panama. SOUTHCOM decided to donate as much of its excess property as possible for humanitarian needs in countries throughout Central and South America. On February 4, 1999, the Defense Logistics Agency approved a SOUTHCOM request to waive normal disposition priorities so that charitable organizations could be given priority over federal agencies for receiving excess property in Panama. This action effectively redirected the distribution of humanitarian aid to locations in Central and South America other than Panama.

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According to DOD, these activities were outside the mission of the disposal office.
operations in Panama. DynCorp submitted written requests to the disposal office for the excess property and reallocated the property as follows (see app. II):

- $20.8 million to six charitable organizations selected by SOUTHCOM;
- $20.2 million to DOD's humanitarian assistance programs, U.S. military affairs groups located in foreign countries providing humanitarian aid, and the Panamanian government in exchange for services; and
- $491,000 to the U.S. Agency for International Development office in Panama.

Excess Property Was Widely Distributed for Humanitarian Aid

As noted, a large portion of the excess property from the Panama disposal office was made available for humanitarian purposes. Records obtained from SOUTHCOM, DynCorp, and charitable organizations showed that this property was widely disseminated, going to 29 of the 32 countries in SOUTHCOM's area of responsibility. According to SOUTHCOM, Cuba, Suriname, and Paraguay did not receive any donated property.

For example, the United Methodist Volunteers in Mission received excess property such as maintenance equipment, furniture, and appliances to be used in schools, medical clinics, adult education facilities, churches, and homes. In addition, Catholic Relief Services received property to provide about 1,000 families in Honduras with furniture for their homes. At a humanitarian assistance program conference hosted by SOUTHCOM from April 4-5, 2000, various charitable organizations made presentations describing how they had used the excess property for humanitarian aid in Central and South America. Examples of how the recipients used the excess property for humanitarian aid are shown in appendix III.
Property Transferred to the Panamanian Government in Exchange for Services

On May 30, 1996, the Army’s Office of Deputy Chief of Staff for Operations and Plans, in coordination with the Office of the Under Secretary of Defense for Logistics, authorized excess property in Panama to be transferred to Panamanian government organizations in return for services to U.S. personnel during the final stages of the withdrawal. Subsequently, 14 different exchange packages were authorized during the last 2 years of operations. Examples included exchanging excess property for office space, traffic police services, and veterinarian services. For exchange purposes, the Panama disposal office determined the fair market value of the excess property being exchanged based on the property’s condition. The fair market value of the property exchanged was estimated at $2.7 million. The cost and benefit of all exchanges were supported with documentation. The excess property was transferred to the Panamanian government either directly from the military units or through the disposal office. Examples of property exchanged, its fair market value, and services received are shown in appendix IV.

Sale of Excess Household Appliances

In response to a SOUTHCOM request, on October 5, 1998, the Defense Logistics Agency permitted excess household appliances to be sold to military personnel and authorized U.S. civilians. Table 2 shows the number and disposition of excess household appliances.

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13 The Army was DOD’s Executive Agent for the Panama Canal Treaty implementation.

14 That portion of this property processed by the disposal office was valued at $4.6 million; the value of excess property transferred directly to the Panamanian government by military units was not readily available.
Table 2: Disposition of Household Appliances

<table>
<thead>
<tr>
<th>Service</th>
<th>No. of items available</th>
<th>Sold to U.S. military and civilian personnel</th>
<th>Moved to a military facility in Puerto Rico</th>
<th>Turned in to disposal office</th>
</tr>
</thead>
<tbody>
<tr>
<td>Army</td>
<td>5,165</td>
<td>2,483</td>
<td>800</td>
<td>1,882</td>
</tr>
<tr>
<td>Navy</td>
<td>163</td>
<td>163</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Air Force</td>
<td>3,773</td>
<td>1,071</td>
<td>0</td>
<td>2,702</td>
</tr>
<tr>
<td>Total</td>
<td>9,101</td>
<td>3,717</td>
<td>800</td>
<td>4,584</td>
</tr>
</tbody>
</table>

Source: SOUTHCOM.

Ordinarily, these types of excess properties would have been turned in to the Panama disposal office. Instead, because of the waiver, authorized civilian and military personnel could buy refrigerators, washers, dryers, stoves, and other household appliances and have the property shipped to their new duty stations. Payments from the sales were deposited in the U.S. Treasury and the quantities of properties that otherwise would have been processed by the Panama disposal office were reduced.

SOUTHCOM Exerted Less Control Than Planned for Some Property Disposed of by DynCorp

The larger than expected amount of excess property to be disposed of by DynCorp limited SOUTHCOM’s plans to ensure that property was provided to organizations with the greatest need and that clear plans existed for how excess property was to be used. However, available data indicated that the property designated for humanitarian aid achieved SOUTHCOM’s objective for dissemination, although recipients for a small amount of the property could not be identified.

According to disposal office records, over 373,000 items were given to DynCorp for reallocation. This amount was more than double the services’ initial estimate of 174,000 items that SOUTHCOM had planned for DynCorp to reallocate. The forecast made in February 1999 was subsequently found to have underestimated the number of excess items included in categories for maintenance and support equipment, office machines and equipment, medical equipment and supplies, military unique items, food, and other items (see table 3).
Table 3: Quantities of Forecasted and Actual Types of Properties Processed by DynCorp

<table>
<thead>
<tr>
<th>Category</th>
<th>No. of items forecasted</th>
<th>Percent</th>
<th>No. of actual items</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor vehicles</td>
<td>350</td>
<td>0.2</td>
<td>267</td>
<td>0.1</td>
</tr>
<tr>
<td>Furniture and appliances</td>
<td>130,043</td>
<td>74.7</td>
<td>82,024</td>
<td>22.0</td>
</tr>
<tr>
<td>Maintenance and support equipment</td>
<td>4,595</td>
<td>2.6</td>
<td>207,082</td>
<td>55.5</td>
</tr>
<tr>
<td>Office machines and equipment</td>
<td>5,735</td>
<td>3.3</td>
<td>21,265</td>
<td>5.7</td>
</tr>
<tr>
<td>Medical equipment and supplies</td>
<td>992</td>
<td>0.6</td>
<td>9,218</td>
<td>2.5</td>
</tr>
<tr>
<td>Food and other items</td>
<td>32,282</td>
<td>18.5</td>
<td>53,321</td>
<td>14.3</td>
</tr>
<tr>
<td>Military unique items</td>
<td>0</td>
<td>0</td>
<td>20</td>
<td>0.0</td>
</tr>
<tr>
<td>Total</td>
<td>173,997</td>
<td>100</td>
<td>373,197</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Forecasts provided by SOUTHCOM. Actual quantities obtained from Defense Reutilization and Marketing Service data.

SOUTHCOM's initial procedures for the distribution of excess property for humanitarian aid required SOUTHCOM staff to (1) review the types of excess properties becoming available and charitable organizations’ requests for excess properties; (2) determine which property would be distributed to defense organizations for transfer to either the Panamanian government or for humanitarian aid; and (3) determine which charitable organizations would receive the remaining property, based on equitable distribution and need, and provide written authorizations to the contractor for distribution of the property. However, the procedures were not always followed because the volume of excess property exceeded projections.

To process the unanticipated volume of excess property, in March 1999, SOUTHCOM modified its procedures by allowing DynCorp to determine the equitable distribution of property having a unit price of less than $1,000. In addition, SOUTHCOM did not provide written authorizations, as required by its procedures, to the contractor for distribution of property having a unit price of more than $1,000. Given limited documentation, we could not confirm the degree of SOUTHCOM’s involvement in these decisions. SOUTHCOM officials said their allocation decisions for much of this property were communicated verbally to DynCorp. As a result of the modified procedures, written authorizations existed for only 45 percent of the dollar value of property processed by the contractor (see table 4).
Table 4: Authorizations Related to Contractor-Processed Excess Property

Dollars in thousands

<table>
<thead>
<tr>
<th>Recipients</th>
<th>Value of property under $1,000 allocated by DynCorp</th>
<th>Value of property with written allocation authorization</th>
<th>Value of property over $1,000 without documented allocation authorization</th>
<th>Total</th>
</tr>
</thead>
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<tr>
<td>Charitable organizations:</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Food for the Poor</td>
<td>$359.1</td>
<td>$4,028.8</td>
<td>$2,873.6</td>
<td>$7,261.5</td>
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<td>Catholic Relief</td>
<td>981.1</td>
<td>2,555.1</td>
<td>629.2</td>
<td>4,165.5</td>
</tr>
<tr>
<td>Corazon a Corazon</td>
<td>378.7</td>
<td>1,313.1</td>
<td>1,969.4</td>
<td>3,661.3</td>
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<tr>
<td>Salesian Missions</td>
<td>643.7</td>
<td>2,110.3</td>
<td>804.1</td>
<td>3,558.1</td>
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<tr>
<td>United Methodists</td>
<td>128.9</td>
<td>915.7</td>
<td>211.7</td>
<td>1,256.4</td>
</tr>
<tr>
<td>National Cristina</td>
<td>35.5</td>
<td>539.1</td>
<td>303.2</td>
<td>877.7</td>
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<tr>
<td><strong>Subtotal</strong></td>
<td><strong>$2,527.0</strong></td>
<td><strong>$11,462.1</strong></td>
<td><strong>$6,791.2</strong></td>
<td><strong>$20,780.5</strong></td>
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<tr>
<td>Military activities</td>
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<td>Agency for International</td>
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<tr>
<td>Development-Panama</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unknown</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$5,226.0</strong></td>
<td><strong>$18,903.0</strong></td>
<td><strong>$17,819.3</strong></td>
<td><strong>41,948.4</strong></td>
</tr>
</tbody>
</table>

*Totals may not add due to rounding.

Source: Defense Reutilization and Marketing Service and SOUTHCOM data.

Whether greater SOUTHCOM involvement would have affected the allocation of property among the various organizations is unclear. As shown in table 5, while amounts differed, excess property was broadly distributed among the charitable organizations.
The amounts shown in table 5 represent property recorded in the disposal office's records as transferred to DynCorp. Appendix II provides a summary of property processed by DynCorp by dollar values and types of properties. Of the nearly $42 million in property recorded in the disposal office's records as transferred to DynCorp, all but about $443,000 (1 percent) was subsequently accounted for in the contractor's books. DynCorp had no record of transactions involving this property. Since we could not determine who actually received the property, we cited the recipient as unknown. Also, as shown in table 5, DynCorp distributed 20 military unique items identified in DOD's records as having military technologies or capabilities. This included 15 military radios that were turned over to SOUTHCOM and, in turn, given to the Panama police in exchange for police services. Also, one charitable organization, Corazon a

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Table 5: Quantities and Types of Properties Processed by DynCorp

<table>
<thead>
<tr>
<th>Recipients</th>
<th>Military unique items</th>
<th>Motor vehicles</th>
<th>Maintenance and support equipment</th>
<th>Medical equipment and supplies</th>
<th>Furniture and appliances</th>
<th>Office machines and equipment</th>
<th>Food and other items</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charitable organizations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food for the Poor</td>
<td>0</td>
<td>34</td>
<td>27,140</td>
<td>609</td>
<td>3,846</td>
<td>2,918</td>
<td>1,481</td>
<td>36,028</td>
</tr>
<tr>
<td>Catholic Relief</td>
<td>0</td>
<td>14</td>
<td>48,327</td>
<td>257</td>
<td>20,996</td>
<td>2,867</td>
<td>13,952</td>
<td>86,413</td>
</tr>
<tr>
<td>Corazon a Corazon</td>
<td>5</td>
<td>23</td>
<td>8,632</td>
<td>316</td>
<td>6,967</td>
<td>1,371</td>
<td>4,166</td>
<td>21,480</td>
</tr>
<tr>
<td>Salesian Missions</td>
<td>0</td>
<td>30</td>
<td>10,819</td>
<td>29</td>
<td>11,245</td>
<td>2,022</td>
<td>2,815</td>
<td>26,960</td>
</tr>
<tr>
<td>United Methodists</td>
<td>0</td>
<td>7</td>
<td>1,621</td>
<td>0</td>
<td>3,936</td>
<td>307</td>
<td>1,713</td>
<td>7,584</td>
</tr>
<tr>
<td>National Cristina</td>
<td>0</td>
<td>8</td>
<td>3,978</td>
<td>0</td>
<td>1,225</td>
<td>65</td>
<td>364</td>
<td>5,640</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>5</strong></td>
<td><strong>116</strong></td>
<td><strong>100,517</strong></td>
<td><strong>1,211</strong></td>
<td><strong>48,215</strong></td>
<td><strong>9,550</strong></td>
<td><strong>24,491</strong></td>
<td><strong>184,105</strong></td>
</tr>
<tr>
<td>Military activities</td>
<td>15</td>
<td>141</td>
<td>105,745</td>
<td>8,007</td>
<td>29,909</td>
<td>11,714</td>
<td>28,581</td>
<td>184,112</td>
</tr>
<tr>
<td>Agency for International Development</td>
<td>0</td>
<td>7</td>
<td>67</td>
<td>0</td>
<td>3,364</td>
<td>0</td>
<td>82</td>
<td>3,520</td>
</tr>
<tr>
<td><strong>Unknown</strong></td>
<td>0</td>
<td>3</td>
<td>753</td>
<td>0</td>
<td>536</td>
<td>1</td>
<td>167</td>
<td>1,460</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
<td><strong>267</strong></td>
<td><strong>207,082</strong></td>
<td><strong>9,218</strong></td>
<td><strong>82,024</strong></td>
<td><strong>21,265</strong></td>
<td><strong>53,321</strong></td>
<td><strong>373,197</strong></td>
</tr>
</tbody>
</table>

Source: Defense Reutilization and Marketing Service.

15 Military activities assign a code the first time they buy spare parts, vehicles, and other military weapons and equipment to indicate whether the items contain technology conferring a military capability.
Corazon, was given five military unique items, the most valuable being three landing crafts that were to be used to transport property and supplies to Honduras.

At the time of our review, the Army Criminal Investigation Command was investigating whether some of the excess property may have been improperly obtained by a charitable organization. As part of the investigation, the Investigation Command and Panama impounded about $3 million of excess property that had been given to one organization. The property was stored in 2 private warehouses in Panama. Because the investigation was ongoing, we focused our review on management control issues to avoid overlapping this investigation.

### Disposal Office

Records Accounted for Most Property It Received, but DOD Components Left Some Property Vulnerable to Loss or Theft

The Defense Reutilization and Marketing Service records accounted for most property declared excess by the military services and recorded as received by the Panama disposal office, with only a small portion written off as lost after being transferred to the disposal office. However, about $6.6 million of the property recorded by the services as having been turned in to the Panama disposal office was not recorded as received by the office. We also found that disposal transactions involving property with military capabilities were not always recorded correctly in the Army's inventory records and that DOD's in-transit and inventory control procedures, designed to protect excess property from loss or theft, were not always followed in Panama because personnel were insufficiently trained. DOD is addressing internal control weaknesses, but it has not established performance measures, milestones, and timetables to help monitor the progress being made to reduce the vulnerability to undetected loss or misplacement of property being shipped to disposal.

### Some Excess Property Not Properly Controlled

As noted earlier, the Panama disposal office's records accounted for the excess property turned in to it by the military services during 1998 and 1999 ($136.7 million). However, the disposal office could not account for excess property valued at about $691,000 (less than 1 percent of the total), and made inventory adjustments to write off this missing property. Most of these write-offs occurred from October through December 1999, when the

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16 This is in addition to the approximately $443,000 in property recorded by the disposal office as transferred to the SOUTHCOM contractor for which the contractor had no record.
disposal office processed inventory adjustments for losses totaling $421,000, including $127,000 worth of property (e.g., radios, tools, and computer equipment) in new or like new condition. In each instance, the reason for the inventory loss was recorded in disposal office records as unknown and the write-off was made in accordance with Defense Reutilization and Marketing Service policies and procedures. Disposal office officials explained that they frequently accepted accountability over excess property, but they did not physically move it to the disposal office. They said that the disposal office could not store all of the excess property and that leaving the property at the facility where it was located saved the time and expense of transporting the property. The officials told us that they believed most of the losses involved property that was not physically moved to the disposal office. However, there was no way to verify if this was the case.

DOD's In-transit Control System reports on property shipped to disposal offices for the 24-month period ending December 31, 1999, showed there was no record of the Panama disposal office receiving about $6.6 million of the property reported as shipped by the services. Almost $1.5 million of the amount involved property requiring special handling such as firearms, communication equipment, and gun parts. Table 6 shows the categories, number of items, and dollar value of property reported as not received for the 24-month period.

<table>
<thead>
<tr>
<th>Category</th>
<th>No. of shipments</th>
<th>No. of items</th>
<th>Value</th>
<th>Percent of total value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Military items</td>
<td>348</td>
<td>1,923</td>
<td>$1,478.6</td>
<td>22.4</td>
</tr>
<tr>
<td>Nonsensitive items</td>
<td>3,399</td>
<td>101,444</td>
<td>5,122.2</td>
<td>77.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,747</strong></td>
<td><strong>103,367</strong></td>
<td><strong>$6,600.8</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Defense In-transit Reports.

We reviewed a judgmental sample of 80 shipments that involved property coded as containing military technologies or capabilities—59 shipments reported as sent to the Panama disposal office by Army units and 21 shipments reported as sent to the disposal office by Air Force units. We were able to trace the actual disposition and account for 39 shipments. We
found that (1) for 13 shipments the services had shipped the property to other military units but had incorrectly recorded the shipments as sent to the Panama disposal office and (2) for 26 shipments the Panama disposal office had shipped the property to U.S. locations but had not recorded the receipts. Two of the shipments we could account for involved 50-caliber machine guns and 9-millimeter handguns.

For the remaining 41 shipments, we could not determine the disposition because records were incomplete or could not be located. These shipments included a telephone used for classified communications, assorted circuit card assemblies used to control weapon systems, and gun parts. The absence of notification of receipt or other evidence of disposition for the 41 shipments does not necessarily mean the shipments were not received or otherwise disposed. However, the lack of such information makes the property vulnerable to loss and undetected theft since no documentation is available to track its location.

### Disposal Transactions Were Not Always Recorded Correctly in Inventory Records

DOD requires all shipments of property to be documented in inventory records and its more sensitive items, such as firearms, to be serial numbered and the serial number of an item being shipped to be recorded on shipping documents and in inventory records. DOD also requires shipping discrepancies to be researched and resolved. Our analysis of the same 80 judgmentally selected shipments showed that the military activities in Panama did not always follow internal control procedures. Specifically, (1) personnel had made unsupported accounting adjustments to write off the property and balance their accounts (2 shipments), (2) discrepancies between shipments and receipts were not researched or investigated (80 shipments), and (3) serial numbers were incorrectly recorded in the supply system and on shipping documents (2 shipments).

### Unsupported Accounting Adjustments

Army supply personnel made unsupported accounting adjustments to write off property and balance their books. Specifically, records on 2 shipments, involving 51 handguns and 2 machine guns, showed that these firearms were sent to the Panama disposal office (which was not authorized to accept them). However, we found that Army personnel manually prepared shipping documents and shipped the firearms to other Army units but did not record the shipments in the Army’s supply system. Instead of recording the shipments to reflect what had actually happened, personnel simply entered a “shipped to disposal office” transaction code to write off the property and balance the books. Personnel were unaware that these transactions were automatically sent to DOD’s In-transit Control System,
causing the system’s reports to be erroneous and diminishing its value as a tool for tracking excess property. Army officials told us that recording shipments to other Army units as shipments to a disposal office was not appropriate and that they would increase management oversight. Subsequently, these officials provided documentation showing the receiving units accounted for these items.

**Discrepancies Were Not Researched**

The DOD In-transit Control System automatically reports a discrepancy if property is not recorded as received within 60 days after it was recorded as being sent to the disposal office. Procedures require that the sending unit research such discrepancies. Although DOD’s In-transit Control System reported that each of our 80 sample items was not received within 60 days after it was recorded as being shipped, there was no evidence of research on any of our sample items. Personnel told us they did not always understand or were not fully aware of the procedures for researching and investigating the discrepancies, indicating a need for training.

**Serial Numbers Not Always Recorded Correctly**

Personnel did not follow DOD regulations to protect excess firearms and other property with restricted or secrecy designations. Regulations require the serial number of each item to be annotated on a shipping document and entered into the supply system. Records on one of our sample shipments, a telephone used for classified communications, showed that personnel had entered the model number of the item into the supply system instead of the serial number. Without the serial number, Army officials could not determine what had happened to the item. Also, we counted 85 serial numbers that had been entered in the supply system to identify the 51 handguns recorded as shipped to the disposal office. At our request, the property book officer performed a reconciliation to determine what had happened to the 51 handguns. The property book officer’s extensive research showed that the 85 serial numbers related to 3 separate shipments involving a total of 85 handguns, including the 51 handguns in our sample shipment. While all 85 handguns could be accounted for, the shipping documents and the supply system records were not accurate.
We previously reported that DOD’s management controls over excess property being shipped to disposal were not effective, leaving the property vulnerable to loss or theft. We recommended that DOD include actions in a plan it was developing on visibility over shipped property to address lack of adherence to internal control procedures, insufficiently trained personnel, and data accuracy problems. In response, DOD established a Joint Group for Materiel Management that is working on both short- and long-term solutions to these problems. In the short-term, for example, the group has developed a lesson segment entitled “Introduction to In-transit Visibility and Accountability of Excess Assets—Identifying Ownership Responsibilities and Risks” to augment training plans and programs. The group also developed standardized edits to prevent transmission of records containing invalid information and a method to identify follow-up transactions on higher priority items to help the services prioritize the workload.

DOD is also working on a long-term strategy to provide in-transit control and visibility over excess property through information technology. However, DOD has not implemented our recommendation that it establish performance measures, milestones, and timetables to help monitor the progress being made to reduce the vulnerability to undetected loss or misplacement of property being shipped to disposal.

The Southern Command largely achieved its goal of timely disposal of excess personal property, including making property available for humanitarian aid throughout Central and South America. However, because of a larger than expected volume of excess property that became available during 1999, the Command changed its control procedures for allocating excess property to charitable organizations, leaving many of

17 Defense Inventory: Property Being Shipped to Disposal Is Not Properly Controlled (GAO/NSIAD-99-84, July 1, 1999).

18 DOD noted that the web-based lesson (http://www.almc.army.mil) has been linked to the Defense Reutilization and Marketing Service web-site, thus providing a one-stop shopping hub for property disposal and in-transit education. This information has also been provided in writing to the 10 largest military generators of excess property. Additional training is the responsibility of each DOD agency or military service.

19 The Joint Group for Materiel Management Sub-group’s final report can be found on the web at http://www.dla.cio/jgmm.
those decisions to the contractor it retained to facilitate property distributions. As a result of the modified procedures, written authorization existed for only $18.9 million (45 percent) of the $41.9 million of excess personal property processed by the contractor. Whether greater Command involvement would have affected the allocation of property among the various charitable organizations is unclear.

The Panama disposal office accounted for all but $691,000 (less than 1 percent) of the $136.7 million of excess property it processed during 1998 and 1999. Disposal office records show that property valued at $691,000 was written off as lost. However, over $6 million in excess property, which service records showed as being shipped to disposal, some of which contained military capabilities, was never recorded as received. DOD's problems with management controls and accountability over property being shipped to disposal are long-standing and are not unique to closing its facilities in Panama. DOD recognizes the need to properly manage and account for its assets and is working on a long-term strategy to provide in-transit control and visibility over excess property through information technology. DOD also has developed a new lesson segment for training its personnel on control procedures, but it has not taken sufficient steps to ensure that the appropriate field personnel have received the training. In addition, DOD has not implemented our previous recommendation to establish performance measures, milestones, and timetables to help monitor the progress being made. Since DOD's ability to focus management attention on its efforts to reduce the vulnerability of property being shipped to disposal to undetected loss or misplacement continues to be limited, we believe our prior recommendation needs to be implemented. Also, lack of adherence to control procedures continues to be a problem because DOD personnel are insufficiently trained.

**Recommendation for Executive Action**

To improve accountability for excess property, we recommend that the Secretary of Defense direct the military services and DOD activities to resolve identified weaknesses in accountability over property being shipped to disposal by establishing a program to ensure that supply personnel are sufficiently trained on property disposal control procedures, including in-transit tracking and follow-up. In keeping with our prior recommendation, the program should include appropriate performance measures, milestones, and timetables to help monitor the progress being made.
Agency Comments and Our Evaluation

The Deputy Under Secretary of Defense for Logistics and Materiel Readiness provided written comments on a draft of this report. They are included in appendix V. DOD concurred with the recommended improvements to accountability for property being shipped to disposal. The Deputy Under Secretary stated that DOD plans to complete these actions during the second quarter of fiscal year 2001. DOD also provided technical comments, which we incorporated in the report as appropriate.

We are sending copies of this report to the appropriate congressional committees; the Honorable William Cohen, Secretary of Defense; the Honorable Louis Caldera, Secretary of the Army; the Honorable Richard Danzig, Secretary of the Navy; the Honorable F.W. Peters, Acting Secretary of the Air Force; Lieutenant General Henry T. Glisson, Director, Defense Logistics Agency; and the Honorable Jacob Lew, Director, Office of Management and Budget.

Please contact me at (202) 512-8412 if you or your staff have any questions concerning this report. Major contributors to this report are listed in appendix VI.

Sincerely yours,

Barry W. Holman, Director
Defense Capabilities and Management
Appendix I

Scope and Methodology

To determine the methods used for property disposal in Panama during 1998-99, we met with officials and performed work at the Office of the Deputy Under Secretary of Defense (Logistics), Washington, D.C.; Army, Navy, Marine Corps, and Air Force Headquarters, Washington, D.C.; the U.S. Southern Command (SOUTHCOM), Miami, Florida; the U.S. Agency for International Development, Washington D.C.; the Center for Treaty Implementation and the Agency for International Development Office, Panama City, Panama; and U.S. Army South Headquarters, San Juan, Puerto Rico. We reviewed policies, procedures, disposal histories, and related records obtained during visits to the Defense Reutilization and Marketing Office, Jacksonville, Florida, which maintained records from the Panama disposal office. We also reviewed reports by the Army Audit Agency on the adequacy of the Department of Defense’s (DOD) plans and controls over the disposition of excess property in Panama and lessons learned from Panama Canal Treaty implementation.1

To determine the extent of direction and control that SOUTHCOM exerted over property allocations and distributions to charitable organizations facilitated by its contractor and targeted for humanitarian aid in locations outside of Panama, we met with officials at SOUTHCOM and DynCorp Aerospace Technology’s after action team, Miami, Florida; the United States Agency for International Development; the SOUTHCOM Center for Treaty Implementation and the Agency for International Development Office in Panama. Using DOD data, we determined the amount of property disposed by the Panama disposal office and DynCorp. We analyzed the records to determine the amount of excess property provided to recipients, including military services, federal agencies, state and local governments, and charitable organizations. We also attended a humanitarian assistance program conference hosted by SOUTHCOM from April 4-5, 2000, and met with officials from selected charitable organizations that had received excess property from Panama.

To determine whether property declared excess by the military services was fully accounted for, we obtained computer data showing the excess property received and processed by the Panama disposal office from January 1998 through December 1999 from the Defense Reutilization and Marketing Service, Battle Creek, Michigan. We analyzed the data to

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determine the value and disposition of the property. We also obtained data from DOD’s In-transit Control System that showed discrepancies between shipment and receipt data for that time period and analyzed the data to identify shipments of military property that had been reported as not received. Using the data, we judgmentally selected 80 shipments reported by the system as not received at the Panama disposal office to determine whether the material was missing and whether any discrepancies were researched. These shipments were selected based on the capabilities of the property and included 59 Army shipments of excess property with military capabilities and 21 Air Force shipments of excess property with military capabilities to the Panama disposal office. We did not independently verify the overall accuracy of the system data; however, we used it as a starting point for selecting shipments, which we then tracked back to records and documents on individual transactions.

We used the same computer programs, reports, records, and statistics that DOD and the military services had used to manage excess property. For example, we used the value of excess property recorded in disposal office records. We did not independently determine the reliability of all these sources. For historical perspective and illustrations of past problems, we reviewed the results of prior defense studies and Army Audit Agency reports.

At the time we were conducting our review, the Army Criminal Investigation Command was investigating whether some of the excess property in Panama may have been improperly distributed to a charitable organization. Accordingly, we focused our review on management issues related to internal controls over excess property to avoid issues that the Investigation Command was addressing. For example, we did not evaluate the process that SOUTHCOM used to select charitable organizations to receive excess property or the appropriateness of the donations to the organizations.

We performed our review from January through August 2000 in accordance with generally accepted government auditing standards.
# Appendix II

## Dollar Value and Types of Excess Property Processed by DynCorp

Amounts in thousands

<table>
<thead>
<tr>
<th>Recipients</th>
<th>Military items</th>
<th>Motor vehicles</th>
<th>Maintenance and support equipment</th>
<th>Medical equipment and supplies</th>
<th>Furniture and appliances</th>
<th>Office machines and equipment</th>
<th>Food and other items</th>
<th>Total*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Charitable organizations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food for the Poor</td>
<td>0</td>
<td>$1,058.1</td>
<td>$1,531.7</td>
<td>$1,832.9</td>
<td>$444.1</td>
<td>$794.9</td>
<td>$1,599.7</td>
<td>$7,261.4</td>
</tr>
<tr>
<td>Catholic Relief</td>
<td>0</td>
<td>206.2</td>
<td>1,937.8</td>
<td>417.8</td>
<td>623.4</td>
<td>553.6</td>
<td>426.7</td>
<td>4,165.5</td>
</tr>
<tr>
<td>Corazon a Corazon</td>
<td>$489.5</td>
<td>532.7</td>
<td>1,834.3</td>
<td>412.1</td>
<td>144.0</td>
<td>83.8</td>
<td>164.7</td>
<td>3,661.3</td>
</tr>
<tr>
<td>Salesian Missions</td>
<td>0</td>
<td>412.4</td>
<td>1,406.8</td>
<td>8.3</td>
<td>1,171.2</td>
<td>200.8</td>
<td>358.4</td>
<td>3,585.1</td>
</tr>
<tr>
<td>United Methodists</td>
<td>0</td>
<td>104.9</td>
<td>275.0</td>
<td>0</td>
<td>641.8</td>
<td>26.1</td>
<td>208.5</td>
<td>1,256.4</td>
</tr>
<tr>
<td>National Cristina</td>
<td>0</td>
<td>166.7</td>
<td>482.1</td>
<td>0</td>
<td>159.2</td>
<td>23.3</td>
<td>46.4</td>
<td>877.7</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$489.5</td>
<td>$2,481.0</td>
<td>$7,467.7</td>
<td>$2,671.1</td>
<td>$3,183.7</td>
<td>$1,682.5</td>
<td>$2,804.4</td>
<td>$20,780.5</td>
</tr>
<tr>
<td><strong>Military activities</strong></td>
<td>23.6</td>
<td>2,369.2</td>
<td>2,840.9</td>
<td>7,094.7</td>
<td>2,345.7</td>
<td>1,577.9</td>
<td>3,981.6</td>
<td>20,233.7</td>
</tr>
<tr>
<td><strong>Agency for International Development</strong></td>
<td>0</td>
<td>112.0</td>
<td>59.5</td>
<td>0</td>
<td>281.8</td>
<td>0</td>
<td>38.1</td>
<td>491.4</td>
</tr>
<tr>
<td><strong>Unknown</strong></td>
<td>0</td>
<td>108.6</td>
<td>204.1</td>
<td>0</td>
<td>99.9</td>
<td>0.4</td>
<td>29.9</td>
<td>442.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$513.1</td>
<td>$5,070.8</td>
<td>$10,572.2</td>
<td>$9,765.8</td>
<td>$5,911.1</td>
<td>$3,260.8</td>
<td>$6,854.0</td>
<td>$41,948.4</td>
</tr>
</tbody>
</table>

*Totals may not add due to rounding.

b This includes DOD’s humanitarian assistance programs, U.S. military affairs groups located in foreign countries providing humanitarian aid, and to the Panamanian government in exchange for services.

Source: Our analysis of Defense Reutilization and Marketing Service data.
Appendix III

Examples of How Some Excess Property From Closing Facilities in Panama Were Used

The ways that donated excess property from closed U.S. facilities in Panama were used for humanitarian assistance projects are shown in figures 1 through 3.

Figure 1: Machinery Used for Instruction at the Salesian Polytechnical Industrial Institute in Santiago, Dominican Republic

Source: SOUTHCOM.
Figure 2: Furniture Used for the Offices of the Youth Center in Cristo Rey, Santo Domingo

Source: SOUTHCOM.
Appendix III
Examples of How Some Excess Property
From Closing Facilities in Panama Were Used

Figure 3: Desks for a Classroom in the Salesian Mission’s Provincial House in Santo Domingo

Source: SOUTHCOM.
Examples of Exchange Packages Agreed Upon by the United States and the Government of Panama

The following provide examples of donations of U.S. property at closing facilities in Panama in exchange for services provided by Panama:

- **One-stop pet out-processing:** The government of Panama established a one-stop pet out-processing center at an estimated cost of $75,000 for U.S. personnel to obtain pet export permits. In exchange for this service, the United States provided excess office equipment, furniture, and two vehicles with a total fair market value of $61,510. The United States also provided office space and telephones for the center.

- **Traffic police:** The Panama National Police agreed to provide a policeman to direct traffic at the intersection of the Fort Clayton and Albrook Air Force Base back gates at an estimated cost of $13,000 a year from April 20, 1998, through September 30, 1999. In exchange, the United States provided excess office equipment and appliances with a total fair market value of $30,000.

- **Office space:** The government of Panama agreed to lease office and storage space and a gym for U.S. embassy personnel from April 1, 2000, to October 31, 2004, for a total cost of $702,240. In exchange for the lease, the U.S. government provided excess office equipment, furniture, appliances, exercise equipment, and moving equipment (forklifts, dollies, etc.) with a fair market value of $539,791.

- **Facilities and Support:** The Government of Panama’s National Maritime Service agreed to provide facilities and transportation support for the U.S. Coast Guard at a cost of $140,000. In exchange for these services, the U.S. government provided excess office equipment, furniture, appliances, and two vehicles with a total fair market value of $66,775.
DEPUTY UNDER SECRETARY OF DEFENSE FOR
LOGISTICS AND Materiel Readiness
3500 Defense Pentagon
Washington, D.C. 20301-3500

OCT 24 2000

Mr. Barry Holman
Associate Director, Defense Management Issues
National Security and International Affairs Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Holman:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "DEFENSE INVENTORY: Most Excess Property in Panama Was Disposed of Properly, But Some Control Weaknesses Existed," September 14, 2000 (GAO Code 709517/OSD Case 2083).

The GAO draft report recommended improvements to accountability for property being shipped to disposal. The DoD concurs with the recommendation and plans to complete these actions during the 2nd quarter of Fiscal Year 2001. Additional DoD comments were provided separately and GAO agreed to incorporate those comments in the final report.

The Department appreciates the opportunity to comment on the draft report.

Sincerely,

[Signature]

Roger W. Kallock
### GAO Contacts

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### Acknowledgments

In addition to those named above, Jeff Kans, Jimmy Palmer, Jeffrey Kaser, Paulina Treviso, and Joanna McFarland made key contributions to this report.
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