

WRITTEN STATEMENT OF
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BEFORE THE
HOUSE ARMED SERVICES COMMITTEE

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Chairman Wilson, Ranking Member Bordallo, distinguished committee members, thank you for the opportunity to appear here today to discuss the Defense Logistics Agency's (DLA) administration and execution of Section 1033 of the National Defense Authorization Act for Fiscal Year 1997, also known as LESO. I am Mike Scott, Deputy Director, DLA Logistics Operations. 10 USC 2576a authorizes the Secretary of Defense to transfer excess Department of Defense equipment to federal and state law enforcement agencies, or LEAs. The 1033 Program provides law enforcement agencies around the country and U.S. Territories with an avenue to receive DOD excess items to support their law enforcement duties.

With me today is Mr. Mike Cannon, the Director of DLA Disposition Services. We appreciate the opportunity to discuss the 1033 program and the July 2017 GAO report on DOD Excess Property and to inform you of the actions we have taken to improve our processes.

The Defense Logistics Agency, is responsible for providing worldwide logistics support to the military departments and the combatant commands under conditions of both peace and war, as well as providing support to other DoD components and federal agencies and, when authorized by law, state and local government organizations, foreign governments, and international organizations.

DLA provides virtually every consumable item that America's military forces require for combat readiness, emergency preparedness, or day-to-day operations. This includes food, fuel, medical supplies, clothing and textile items, construction and barrier materiel, and more than 85 percent of the repair parts for their weapon systems. We directly support the materiel readiness and sustainment of military equipment and weapon systems and the personnel who operate and

maintain them worldwide.

The Defense Logistics Agency is also responsible for the disposal of excess personal property received from the military services. This is the primary mission for DLA Disposition Services. They are part of DLA's worldwide presence, serving in 16 foreign countries, 2 U.S. territories, and 41 states. With a workforce of approximately 1,500 people, Disposition Services is responsible for the reutilization, transfer, donation, sale, demilitarization, and control of both excess and surplus Department of Defense equipment. Additionally, DLA Disposition Services administers and executes the 1033 program through their Law Enforcement Support Office (LESO).

Government agencies whose primary function is enforcement of applicable Federal, State, local laws, and whose compensated law enforcement officers have powers of arrest and apprehension, are eligible to participate in the 1033 program. Under the 1033 program, each State/U.S. territory is required to sign a Memorandum of Agreement with the Defense Logistics Agency that identifies regulatory guidance and assigned roles/responsibilities. Currently, more than 7,400 federal and state law enforcement agencies across 50 states and 3 U.S. territories are active participants in the program. DLA currently has 30 Federal Departments and Agencies enrolled. These are the higher headquarters to the 345 Federal Law Enforcement Activities (Federal Field Activities) enrolled in the program.

DLA has worked extensively over the last several years to improve the state/local side of the program. A key to its success is the governor-appointed state coordinator who acts as the liaison with the LESO and must sign a Memorandum of Agreement with DLA and have a plan of action detailing how they will remain compliant with the program. State coordinators approve and certify the participating law enforcement agencies in their states and each property request

prior to those requests coming to LESO for approval. They also work closely with the LEAs to provide training, assist with tracking property and program compliance reviews, and help coordinate corrective action plans if LEAs are non-compliant and suspended from the program.

While the GAO's recent review validated enhancements made in the state/local LEA side of the program, it highlighted vulnerabilities in the federal LEA side of the program, which accounts for about four percent of the total LEA enrollment.

Previously, LESO worked directly with federal LEAs on program participation and validation. Now, LESO is working more closely with a higher headquarters coordinator who will act in a role similar to a state coordinator and will validate and approve applications and property requests.

I will now focus on the findings and recommendations from the GAO report. We recognize the issues identified in the report and concur with their recommendations. The GAO identified deficiencies in the processes for verification and approval of Federal law enforcement agency applications and in the transfer of controlled property.

DLA takes the findings very seriously, and is actively addressing and correcting deficiencies to resolve breakdowns in the application and validation processes to ensure appropriate property allocations to legitimate federal LEAs. Substantive program improvements have been implemented to provide assurance of program compliance. These improvements include:

Revising the procedures for verifying and approving federal agency applications for enrollment. All federal law enforcement agencies now require approval of any requests from the headquarters of the agency. Once approved by the federal law enforcement agency's headquarters point of contact, DLA LESO supervisory personnel will review the application for

approval of enrollment. DLA now requires participating federal agency headquarters' to assign a point of contact (POC) and to sign a memorandum of understanding (MOU) acknowledging participation and accountability requirements for excess DoD property. These federal agency POC's or their designees will approve all applications for enrollment and all requests for equipment. The MOU was established in January, 2017 and was sent to federal agencies between February and April, 2017. Currently 12 of the 30 enrolled federal departments and agencies have signed an MOU. DLA is conducting site visits with the federal agency headquarters POC's for the federal agencies enrolled in the 1033 Program. As of the date of this report, DLA has visited and validated 22 federal agencies headquarters. Additionally, DLA is updating policy to reflect the revised procedural changes regarding federal law enforcement agency applications.

Additionally, current DLA policy requires on-site officials to request and verify identification from all customers, LESO customers included, that are authorized to pick-up property. DLA will conduct additional training regarding requesting and validating identification of customers picking up allocated property from all DLA Disposition Services Field Sites by October 1, 2017. Additionally, DLA will ensure compliance during our ongoing and regular inspection of field sites through Operational Effectiveness Reviews.

Further, DLA is reinforcing our policy requiring on-site officials to verify the type and quantity of approved items being transferred, prior to removal from sites. DLA will conduct additional training on the process to all DLA Disposition Services Field Sites by October 1, 2017.

Finally, DLA will conduct a fraud risk assessment and implement a strategy with specific internal control activities to mitigate assessed risks for all stages relating to DLA's transfer of controlled excess property to law enforcement agencies, consistent with

leading practices provided in GAO's Fraud Risk Framework. The estimated completion date for this recommendation is April 1, 2018.

DLA has made significant enhancements to improve its policies, procedures and internal controls to correct deficiencies in the 1033 program. We recognize the importance of providing support to the LEAs and their important mission and our oversight role.

Chairman Wilson, Ranking Member Bordallo, and members of the committee, I am grateful for the opportunity to discuss this important issue here today.