



4 MAY 1989

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
ASSISTANT SECRETARY OF DEFENSE (PRODUCTION AND
LOGISTICS)
DEPUTY UNDER SECRETARY OF DEFENSE (TRADE SECURITY POLICY)
DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Controls for Critical Munitions Items

Operation RETREAD, a joint U.S. Customs Service - DoD Inspector General investigation, confirmed that the Defense disposal system is a source of supply for arms traffickers.

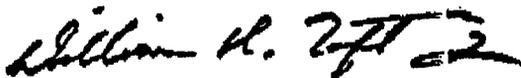
A partial audit of seven weapon systems revealed that 23 percent of the items checked had been coded incorrectly. Moreover, of 51 DoD investigative files and U.S. Customs Service cases reviewed, legal action had been taken on only seven cases, resulting in four convictions, two debarments, and one dismissal for lack of evidence.

The large percentage of incorrect codings and the relatively small number of indictments clearly indicate the need to improve and tighten internal controls and to provide better policy guidelines. While a number of steps have already been taken to enhance controls, procedures, and policies, additional initiatives are required for both the disposal and the supply systems to control access to and pilferage of critical or sensitive Munitions and Strategic List items. The assignment of a controlled item code to particularly critical items, including those known to be sought by countries whose actions are not in the best interest of the United States (e.g., F-14 parts), should result in added physical security. The assignment of a sensitivity code would also preclude the automatic write-off of these items by computers, thereby requiring causative research for inventory losses of critical components and spare parts.

Accordingly, the enclosed plan identifies actions necessary to eliminate the problems discussed above and other actions required to safeguard Munitions and Strategic List items in the supply and the disposal systems from pilferage, theft, illegal sales, or transfers.

I have asked the DoD Inspector General to continue to monitor this area to ensure that appropriate actions are being taken.

Please advise me of the results of your actions by the end of May.


William H. Taft, IV

Enclosure

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