



# DOD Financial Management: Actions Needed to Account for Army Ammunition at Contractor-Owned, Contractor-Operated Sites

GAO-25-107123

Q&A

Report to Congressional Committees

September 4, 2025

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## Why This Matters

The Department of Defense (DOD) remains the only major federal agency to have never received a department-wide clean audit opinion. One contributing factor is DOD's long-standing material weakness in operating material and supplies (OM&S).

During the fiscal year 2024 audit of the Department of the Army's financial statements, the independent public accountants reported that the Army did not consistently design, implement, and document internal controls over all aspects of OM&S. The Army accounts for ammunition, spare parts, and repair parts in its OM&S account.

Having accurate financial accounting records is an important, basic tool in the management and oversight of organizations. Management uses these records to make informed decisions related to mission-critical needs and to safeguard government assets, including preventing or timely detecting theft or misuse. When financial accounting records and reports are unreliable, there is an increased risk that management will not efficiently use or properly safeguard government assets.

Ammunition is a topic that warrants careful consideration due to its potential risks to public safety if not managed properly. Therefore, it is essential that the Army puts effective controls in place to ensure that its ammunition inventory is accurate and complete.

This report, developed in connection with fulfilling our mandate to audit the U.S. government's consolidated financial statements, examines the extent to which the Army properly accounted for ammunition inventory managed and held for repair at contractor-owned, contractor-operated (COCO) sites in its financial accounting records.

## Key Takeaways

- As of July 2024, we estimate that the Army did not properly account for at least 95 percent of the total records for ammunition inventory held at COCO sites.
- The Army was unaware of which COCO sites held ammunition inventory. In March 2024, the Army identified five COCO sites with inventory. However, by October 2024, the Army determined that only two of the sites held inventory.
- We recommend that the Army develop and implement a process and associated guidance to ensure that it identifies responsible officials and the COCO sites that hold ammunition inventory, accurately and timely records ammunition inventory transactions, and retains supporting documentation.

- The Army has developed procedures to reconcile ammunition inventory held for repair at COCO sites. However, the procedures lacked key steps. We recommend that the Army update its procedures to include steps to identify which specific data elements in the Logistics Modernization Program (LMP) system the Army will reconcile with contractor records and to resolve discrepancies related to aged ammunition records.

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**Who is responsible for managing Army ammunition inventory?**

The Secretary of the Army is the single manager for conventional ammunition for DOD, according to DOD policy.<sup>1</sup> Conventional ammunition includes items ranging from small arms cartridges to rockets, mortars, and artillery shells.<sup>2</sup>

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**Where does the Army hold its ammunition?**

The Army holds and manages ammunition inventories at sites categorized as

- government-owned, government-operated (GOGO);
- government-owned, contractor-operated (GOCO); and
- contractor-owned, contractor-operated (COCO).

This audit focused on Army ammunition held for repair and managed at COCO sites. According to Army officials, the Army Aviation and Missile Command (AMCOM), under the Army Materiel Command (AMC), is responsible for managing Army ammunition sent to COCO sites for repair. In fiscal year 2024, the Army reported an OM&S balance in its General Fund financial statements of approximately \$48 billion, or 21 percent of DOD's total reported OM&S balance of \$234 billion. As of September 30, 2024, the Army reported approximately \$41 billion in ammunition in its financial statements, with \$966 million of that held at COCO sites for repair. We did not audit ammunition inventory held at GOGO and GOCO sites to avoid duplication of efforts with DOD's existing audit remediation efforts.

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**How does the Army account for ammunition inventory at COCO sites?**

The Army uses the LMP system to account for ammunition inventory held at COCO sites. According to Army officials, the LMP system is the Army's accountable property system of record (APSR) for COCO-held ammunition. The Army updates information in the LMP system based on communications with contractors on the shipment and receipt of ammunition inventory. The Army uses the LMP system to generate the ammunition inventory amounts reported in its financial statements.

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**What requirements must the Army follow when accounting for ammunition inventory at COCO sites?**

DOD policy requires the Army to account for ammunition inventory it owns in its APSR. It also requires the Army to include in its APSR inventory records, at a minimum, several data elements. These include a serial number, item description, asset location, asset quantity, and condition code. In addition, DOD requires the Army to maintain supporting documentation in a readily available manner.<sup>3</sup> When it sends ammunition to a contractor for repair, per DOD policy, the Army must update the accountable record within 2 to 3 business days of when a COCO site receives the asset.<sup>4</sup>

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**Did the Army accurately account for ammunition inventory information in its financial accounting records?**

No. We found that the Army did not accurately account for ammunition inventory information in its financial accounting records. We also found that the Army was unaware of which COCO sites held ammunition inventory.

We tested a random sample of 94 of the 1,371 Army records for ammunition inventory held at the three COCO sites that the Army identified as holding ammunition inventory as of July 31, 2024. We reviewed the records to determine their accuracy and whether each included a serial number, item description,

asset location, and asset quantity. We found that some ammunition inventory had an incorrect location in the LMP system and other ammunition records were missing required serial numbers.

Based on our sample testing results, we estimate that the Army did not properly record in the LMP system approximately 95 percent of the records of ammunition held at COCO sites as of July 31, 2024.<sup>5</sup> We observed and verified the accuracy of five records for Patriot missiles. Figure 1 shows that the Army did not properly record in LMP 89 of the selected records as of July 31, 2024.

Figure 1: Accuracy of 94 Selected Army Ammunition Records as of July 31, 2024

| COCO sites                                                                                                            | Number of ammunition records selected                                               |                    | Army records were not accurate | Army records were accurate |
|-----------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|--------------------|--------------------------------|----------------------------|
| <br>Tucson, AZ<br>45 sample records  |    | 31 Stinger records | ✗                              |                            |
|                                                                                                                       |    | 14 TOW records     | ✗                              |                            |
| <br>Troy, AL<br>7 sample records     |    | 6 Javelin records  | ✗                              |                            |
|                                                                                                                       |    | 1 THAAD record     | ✗                              |                            |
| <br>Camden, AR<br>42 sample records |   | 35 M26 records     | ✗                              |                            |
|                                                                                                                       |  | 2 ATACMS records   | ✗                              |                            |
|                                                                                                                       |  | 5 Patriot records  |                                | ✓                          |

COCO: contractor-owned, contractor-operated  
DOD: Department of Defense  
TOW: Tube-launched, Optically-tracked, Wire-guided missile  
THAAD: Terminal High Altitude Area Defense launcher  
ATACMS: Army Tactical Missile System

Source: GAO analysis of DOD data: U.S. Army Captain Rachael Jeffcoat (Stinger); U.S. Army Sgt Gauret Stearns (TOW); Minnesota National Guard Sgt 1st Class Ben Houtkooper (Javelin); U.S. Army Maj. Trevor Wild (THAAD); U.S. Army Spc. Joshua Thorne (M26); © Lockheed Martin (ATACMS); U.S. Army Sgt. Ian Vega-Cerezo (Patriot). | GAO-25-107123

In addition to the errors we identified in our sample testing, we identified the following issues with the Army’s ammunition inventory information:

- **Lack of serial numbers.** The Army did not record a serial number for each piece of ammunition inventory held at COCO sites for repair as Army policy requires.<sup>6</sup> Specifically, we found that approximately 30 percent of the total ammunition records in the LMP system (524 of 1,733) as of December 31, 2024, did not include serial numbers.
- **Inaccurate condition codes.** The Army recorded more than 83 percent of M26 rocket pods at the Camden, Arkansas, COCO site with inaccurate condition codes as of July 31, 2024. The condition codes indicate the status of the missiles, such as whether the missiles are ready for use, in need of repair, or unserviceable. According to an Army official, all of the M26 rocket pods at the Camden, Arkansas, COCO site should be recorded as “suspended in stock” in the LMP system because they were being converted

to training rounds. However, the LMP system erroneously indicated that some of the M26 rocket pods were ready for use.

- **Aged transactions.** The Army did not have a process to promptly remove aged transactions from the LMP system. We identified multiple transactions that had not been recorded in the LMP system on a timely basis. For example, we observed an ammunition record that indicated a missile had been located at a contractor site (Tucson, Arizona), awaiting repair, since February 2012. We noted this to Army officials, and in the first quarter of fiscal year 2025, the Army removed this inventory item from the LMP system. We found additional transactions that occurred almost 10 years ago but were not recorded in the LMP system on a timely basis. Army officials stated that AMCOM is currently working to obtain the proper supporting documentation needed to remove aged/invalid stock that is incorrectly recorded in the system. The officials indicated that they are developing a process to address these transactions.
- **Inaccurate information about COCO sites.** The Army did not have accurate information about which COCO sites held ammunition inventory during our audit. Army officials provided us with a listing showing that it held ammunition inventory at five COCO sites as of March 2024. In July 2024, though LMP system records showed ammunition inventory held at those five COCO sites, Army officials stated that only three were active—Tucson, Arizona; Troy, Alabama; and Camden, Arkansas. The officials said they were in the process of reconciling and clearing out records for the two inactive sites. Moreover, in October 2024, the Army notified us that upon further research, it had determined that the contractor had returned the ammunition reported at the Tucson, Arizona, COCO site and that the site no longer held ammunition inventory.

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**Did the Army retain supporting documentation for ammunition inventory?**

No. We estimate that the Army did not retain complete supporting documentation for 95 percent of the records of ammunition held at COCO sites as of July 31, 2024. DOD policy requires that the Army retain adequate supporting documentation.<sup>7</sup> However, the Army did not retain complete support, such as shipping or receiving documents, for 89 of the 94 of our selected ammunition records. Therefore, the Army lacked controls over ammunition inventory to ensure that transactions are accurately and timely recorded in the LMP system.

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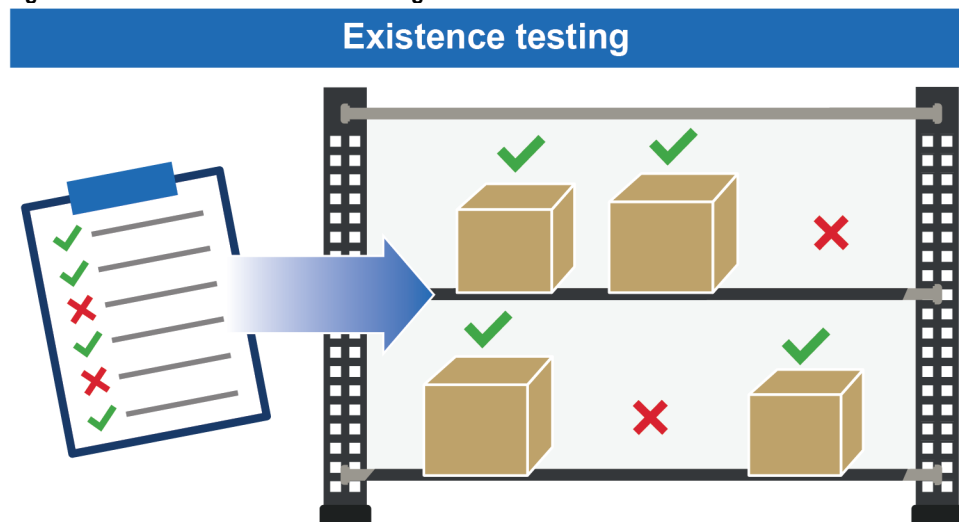
**Did Army documentation support the existence and completeness of ammunition inventory GAO tested?**

No. We found that Army documentation did not support the existence and completeness of ammunition inventory we tested.

To determine whether ammunition items recorded in the LMP system were located on site, we conducted existence testing<sup>8</sup> on a judgmental sample of 102 ammunition items<sup>9</sup> corresponding to 25 LMP system records selected for testing at the Camden, Arkansas, COCO site.

We were unable to observe or verify the existence of 27 ammunition items corresponding to nine LMP system records. According to contractor officials, the contractor shipped all 27 ammunition items from the COCO site prior to our site visit. The Army provided supporting documentation demonstrating that the contractor shipped 10 ammunition items prior to our site visit, but did not provide supporting documentation to demonstrate that the contractor shipped the other 17. Figure 2 provides an illustration of existence testing.

Figure 2: Illustration of Existence Testing Procedures



**Legend**

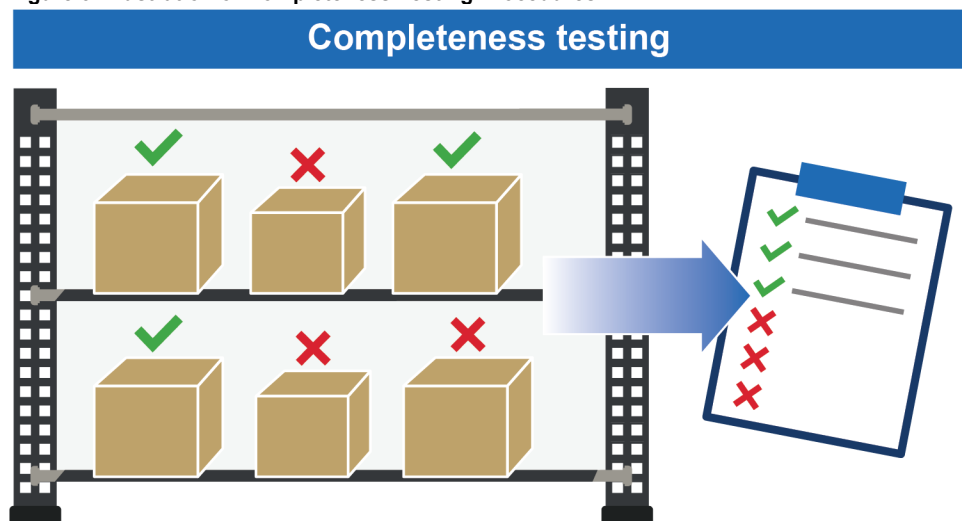
- ✓ Recorded inventory is observed
- ✗ Recorded inventory is not observed

Source: GAO (icons). | GAO-25-107123

In addition, to determine whether the Army's records were missing any ammunition items, we performed completeness testing by judgmentally selecting 18 ammunition items from the Camden, Arkansas, COCO site to trace to the Army's records.<sup>10</sup>

We found that the Army did not record ammunition data for some ammunition inventory held at COCO sites in its financial accounting records. Specifically, of the 18 ammunition items we selected and observed during our site visit to Camden, Arkansas, we determined that 13 were not included in Army's LMP system records as of July 31, 2024. Figure 3 provides an illustration of completeness testing.

Figure 3: Illustration of Completeness Testing Procedures



**Legend**

- ✓ Observed inventory is recorded
- ✗ Observed inventory is not recorded

Source: GAO (icons). | GAO-25-107123

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## Why didn't the Army properly account for this inventory?

The Army did not properly account for COCO-held ammunition because it lacked a process and associated guidance to

- identify responsible officials and the COCO sites that hold ammunition inventory,
- accurately and timely record ammunition inventory transactions in the Army's financial accounting records, and
- retain supporting documentation for ammunition inventory transactions.

Without establishing such processes and implementing associated guidance the Army is at risk of not properly accounting for ammunition inventory at COCO sites.

In February 2025, the Army developed the AMCOM Operating Materials and Supplies Contractor-Owned, Contractor-Operated Reconciliation Standard Operating Procedures (SOP) for performing monthly reconciliations of the LMP system and contractor ammunition data. The reconciliation SOP includes steps for the Army to compare its records to the contractor records and identify, research, and resolve any differences between the two records. The SOP also defined the roles and responsibilities of Army personnel in reconciling the LMP system and contractor ammunition data.

However, the SOP lacks key steps for completing the reconciliations. It does not include steps to (1) identify which specific data elements in the LMP system the Army will reconcile with contractor records, such as serial numbers, condition codes, and quantities, and (2) resolve discrepancies related to aged ammunition records where supporting documentation is no longer available.

Federal internal control standards require management to design control activities to achieve objectives and respond to risks, such as those that help ensure accurate and timely recording and maintenance of appropriate transaction documentation.<sup>11</sup> Without comprehensive policies and procedures on accounting for ammunition inventory held at COCO sites, there is an increased risk that the Army's records will remain inaccurate.

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## Conclusions

Maintaining accurate financial accounting records over the Army's ammunition is a critical process for accountability. Without such accountability, the Army cannot be assured that it properly manages and safeguards the ammunition at the COCO sites.

The Army lacks processes and guidance to help ensure that it identifies responsible officials and the COCO sites that hold ammunition, accurately and timely records ammunition inventory transactions in its financial accounting records, and retains supporting documentation for ammunition inventory transactions. The Army has taken some actions to document the reconciliation of Army ammunition held for repair at COCO sites. However, the SOP does not address all the weaknesses that we identified.

Until corrected, these deficiencies increase the risk that the Army's financial accounting records for ammunition inventory at COCO sites are inaccurate. Further, inconsistently performing, or not performing, ammunition inventory reconciliations increases the risk of Army management and Congress lacking reliable information about ammunition assets that pose potential risks to public safety if not managed properly.

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## Recommendations for Executive Action

The Secretary of the Army should ensure that the Army develops and implements a process and associated guidance for ammunition inventory held at COCO sites to help ensure that it (1) identifies responsible officials and the COCO sites that hold ammunition inventory, (2) accurately and timely records ammunition inventory transactions in its financial accounting records, and (3) retains supporting documentation over ammunition inventory transactions. (Recommendation 1)

The Secretary of the Army should ensure that the Army updates the AMCOM Operating Materials and Supplies Contractor-Owned, Contractor-Operated Reconciliation Standard Operating Procedures to include key steps for completing the reconciliations, such as (1) identifying which specific data elements in the LMP system the Army will reconcile with contractor records, including serial numbers, condition codes, and quantities, and (2) resolving discrepancies related to aged ammunition records where supporting documentation is no longer available. (Recommendation 2)

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## Agency Comments

We provided a draft of this report to DOD for review and comment. The Army concurred with both recommendations. The Army's comments are reproduced in appendix I. The enclosure referenced in the Army's response was marked as Controlled Unclassified Information. Therefore, it is not included in the report.

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## How GAO Did This Study

To conduct this work, we reviewed DOD guidance and instructions and reports that we, the DOD Office of Inspector General, independent public accounting firms, and the Army Audit Agency issued regarding accounting for ammunition from fiscal year 2019 through fiscal year 2024.

We interviewed officials from AMC and AMCOM, and the contractor responsible for managing the ammunition at the Camden, Arkansas, COCO site to determine how the Army accounts for and reports Army ammunition inventory held at COCO sites. Additionally, we evaluated the Army's policies and procedures regarding accounting for ammunition at COCO sites to determine whether management documented, designed, and implemented internal control in accordance with *Standards for Internal Control in the Federal Government*.<sup>12</sup>

To verify the accuracy of the Army's ammunition records, we selected a random sample of 94 records from the population of 1,371 records, to enable a projection at the 95 percent confidence level, in the Army's LMP system for ammunition inventory held for repair at three COCO sites as of July 31, 2024. The three sites were Tucson, Arizona; Troy, Alabama; and Camden, Arkansas. We requested and reviewed supporting documentation for our selected records, such as ammunition assets' shipping and receiving documents, to determine whether the Army properly accounted for inventory transactions in accordance with relevant policies and procedures. We reviewed the records to determine if the records were accurate and each included a serial number, item description, asset location, and asset quantity.

We planned to perform existence and completeness testing of our selected sample at all three COCO sites. However, in October 2024, the Army informed us that it no longer held ammunition inventory at the Tucson, Arizona, COCO site and that it no longer held ammunition assets at the Troy, Alabama, COCO site associated with six of the seven selected sample records. Therefore, we did not visit these COCO sites.

Since some of the Army's records did not include serial numbers, we obtained the contractor's asset listing for the Camden COCO site. We compared the Army's and contractor's asset listings and noted that some Army records

corresponded to more than one inventory item. We conducted existence testing on a judgmental sample of 102 ammunition items corresponding to 25 LMP system records. In addition, for completeness testing, we judgmentally selected 18 assets from the floor to trace to the Army's records.

We conducted this performance audit from October 2023 to September 2025 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provided a reasonable basis for our findings and conclusions based on our audit objectives.

## Appendix I: Comments from the Department of Defense



SECRETARY OF THE ARMY  
WASHINGTON  
AUG 20 2025

Ms. Kristen Kociolek  
Director  
Financial Management and Assurance  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Ms. Kociolek:

This is the Department of Defense's response to the GAO Draft Report, GAO-25-107123, "DOD Financial Management: Actions Needed to Account for Army Ammunition at Contractor-Owned, Contractor-Operated Sites," dated June 23, 2025 (GAO code 107123).

The Army concurs with the draft report and offers the following comments. Headquarters, Department of the Army (HQDA) G-4 will coordinate with Assistant Secretary of the Army (Acquisitions, Logistics, and Technology) to ensure all contracts—both existing and new—incorporate policy and guidance from Army Regulation 700-28 (Ammunition Management), Department of the Army Pamphlet 700-16 (Ammunition Management), and HQDA EXORD 031-24 (Army Ammunition Management and Auditability), in order to ensure contractor-owned, contractor-operated (COCO) sites accurately and timely record ammunition transactions in the Army's financial accounting system. In addition, HQDA G-4 will direct Army ammunition COCO sites to utilize government accountability property book systems of record, such as the Logistics Management Program, to record stocks transferred to government ownership. See enclosure for detail.

The Army appreciates the opportunity to review the draft report. My point of contact is Mr. William Galbraith, Munitions Division Chief, Headquarters Department of the Army G-4, [william.s.galbraith.civ@army.mil](mailto:william.s.galbraith.civ@army.mil).

Encl

A handwritten signature in black ink, appearing to read "Dan Driscoll", is located below the text of the letter.

Dan Driscoll

## Accessible Text for Appendix I: Comments from the Department of Defense

SECRETARY OF THE ARMY  
WASHINGTON  
AUG 20, 2025

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Director  
Financial Management and Assurance  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

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Encl

Dan Driscoll

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### List of Addressees

The Honorable Roger Wicker  
Chairman  
The Honorable Jack Reed  
Ranking Member  
Committee on Armed Services  
United States Senate

The Honorable Rand Paul, M.D.  
Chairman  
The Honorable Gary C. Peters  
Ranking Member  
Committee on Homeland Security and Governmental Affairs  
United States Senate

The Honorable Mike Rogers

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

The Honorable James Comer  
Chairman  
The Honorable Robert Garcia  
Ranking Member  
Committee on Oversight and Government Reform  
House of Representatives

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

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## GAO Contact Information

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## Endnotes

<sup>1</sup>DOD Instruction 5160.68, *Single Manager for Conventional Ammunition*, (Mar. 15, 2022).

<sup>2</sup>DOD defines conventional ammunition as an end item, complete round, or materiel component charged with explosives, propellants, pyrotechnics, or initiating composition for use in connection with defense or offense (including demolitions), as well as ammunition used for training, ceremonial, or nonoperational purposes. Conventional ammunition does not include nuclear or special weapons.

<sup>3</sup>DOD Instruction 5000.64, *Accountability and Management of DOD Equipment and Other Accountable Property* (June 2019).

<sup>4</sup>Department of Defense, *DOD Supply Chain Materiel Management Procedures: Inventory Accountability and Special Management and Handling*, DOD Manual 4140.01, vol. 11 (Nov. 2022).

<sup>5</sup>The estimate is 95.2 percent with a 95 percent confidence interval of (92.1, 97.1).

<sup>6</sup>Army Regulation 700-28 *Logistics Ammunition Management* (Oct. 9, 2020).

<sup>7</sup>DOD Financial Management Regulation, vol. 4, ch. 4, *Inventory and Related Property* (Nov. 2017).

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<sup>8</sup>Existence means that an entity's inventory items exist at a given date and have been recorded in the proper accounts.

<sup>9</sup>Most of the ammunition records in the LMP system that we selected for testing did not contain a serial number that we could use to trace the recorded information to the individual ammunition item. Therefore, we compared LMP system data to contractor data and selected the 102 ammunition items from the contractor records, which contained serial numbers.

<sup>10</sup>Completeness means that all inventory items that should have been recorded have been recorded in the proper period and accounts and are properly included in the financial statements.

<sup>11</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 2014), principle 10.

<sup>12</sup>[GAO-14-704G](#).