

096285

73-0038

315.04



REPORT TO THE PERMANENT  
SUBCOMMITTEE ON INVESTIGATIONS  
GOVERNMENT OPERATIONS COMMITTEE  
UNITED STATES SENATE

7



LM096285

Controls Over Small Arms  
In Europe  
Need Strengthening

B-161507

Department of the Army

BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES

~~701279~~ [096285]

OCT. 3 1972





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

B-161507

Dear Mr. Chairman:

This is our report on the need to strengthen controls over small arms in Europe. The work was done pursuant to your request of February 18, 1972.

In accordance with advice given to our representatives, we provided Army officials in Europe with a summary of our findings and requested their comments. For the most part, the reply from Headquarters, United States Army, Europe, was not responsive to the facts included in our summary. Included in their reply were detailed comments from the Theater Army Support Command and Army Materiel Command, Europe.

The Theater Army Support Command, Europe, comments dealt with a document other than the one we had presented to them and were not responsive to our summary. The comments from Army Materiel Command, Europe, agreed in general that the situations we described existed. They noted several actions, either taken or planned, to correct those situations. Where appropriate, we have included comments from both commands and our evaluation of the comments.

As agreed, we discussed this report with Department of the Army officials but we did not obtain official comments from the Department. Copies of this report are being sent to the Secretary of the Army.

Sincerely yours,

A handwritten signature in cursive script that reads "James B. Stacks".

Comptroller General  
of the United States

*G+R*  
The Honorable John L. McClellan, Chairman  
Permanent Subcommittee on Investigations  
Committee on Government Operations  
United States Senate

*S. 1504*

C o n t e n t s

|         |  | <u>Page</u> |
|---------|--|-------------|
| DIGEST  |  | 1           |
| CHAPTER |  |             |
| 1       | INTRODUCTION   | 3           |
|         | Background   | 3           |
|         | Scope of review  | 3           |
| 2       | SUPPLY RECORDS NOT RELIABLE AS INDICATORS<br>OF STOCKS ON HAND                       | 5           |
|         | Inaccurate records had adversely affected<br>management of small arms                | 5           |
|         | Improper posting resulted in inaccurate<br>records                                   | 6           |
|         | Faulty method of testing inventory<br>accuracy                                       | 8           |
|         | Depot inventory records were not in<br>agreement with quantities actually<br>on hand | 8           |
| 3       | CONTROL PROCEDURES NOT EFFECTIVE FOR INSUR-<br>ING ACCURATE STOCK RECORDS            | 11          |
|         | Controls over weapons in transit   | 12          |
|         | Need for frequent physical inventories   | 13          |
|         | Untimely and ineffective research of<br>inventory adjustments                        | 15          |
|         | Agency comments and corrective action  | 17          |
| 4       | ACCOUNTABLE CONTROLS BELOW DEPOT LEVEL   | 19          |
|         | Support activities   | 19          |
|         | Using units  | 19          |
| 5       | ADEQUACY OF PHYSICAL FACILITIES  | 21          |
| 6       | INACCURATE STOCK RECORDS--A LONG-STANDING<br>PROBLEM IN THE ARMY                     | 23          |
| 7       | CONCLUSIONS AND RECOMMENDATIONS  | 25          |
|         | Recommendations  | 26          |

APPENDIX

Page

- I Letter dated February 18, 1972, from the  
Permanent Subcommittee on Investigations,  
Senate Committee on Government Operations,  
to the General Accounting Office 27

COMPTROLLER GENERAL'S REPORT  
TO THE PERMANENT SUBCOMMITTEE  
ON INVESTIGATIONS  
COMMITTEE ON GOVERNMENT OPERATIONS  
UNITED STATES SENATE

CONTROLS OVER SMALL ARMS IN  
EUROPE NEED STRENGTHENING  
Department of the Army 24?  
B-161507

D I G E S T

WHY THE REVIEW WAS MADE

In its examination of the U.S. military property disposal system in Europe, the Permanent Subcommittee on Investigations noted that "arms dealers apparently have obtained military hardware and weapons from the supply system in Europe." Concerned that the Army may not have adequate controls over small arms--weapons up through 50-caliber machine guns--the Subcommittee requested the General Accounting Office (GAO) to determine

- if records of stocks in storage were valid,
- if procedures were effective for insuring accuracy of stock records,
- if physical facilities were adequate for safeguarding small arms, and
- if security precautions in those facilities were adequate. (See app. I.)

FINDINGS AND CONCLUSIONS

Overall findings

There were over 130,000 small arms valued at \$25 million in European Army depots in February 1972 ac-

ording to accountable records. However, Army records for small arms were not sufficiently accurate and reliable for management to make sound decisions.

Records of stocks not valid

Accountable records for small arms required extensive adjustments to make them agree with quantities on hand in the depots. The Army Materiel Command, Europe, adjusted its records by about \$27 million during 1971--\$2 million more in gross adjustments than the average value of items actually on hand. (See p. 8.)

The reliability of supply records was measured by a faulty standard which permitted errors in the records to be eliminated before the accuracy of the records was determined. (See p. 8.)

Controls ineffective

The Army's inventory management in Europe did not provide the necessary controls over small arms. Small arms are considered sensitive items and should be subjected to more stringent control than the ordinary items of supply. However, GAO noted that:

- Records of transactions between depots and support activities were inaccurate, indicating a

loss of control of weapons shipped between them. (See p. 12.)

- Physical inventories had not been performed regularly. (See p. 13.)
- Research necessary to identify the causes of inventory adjustments was not accomplished. (See p. 15.)

Because controls were not adequate, the Army in Europe was unable to determine what weapons were available for the troops.

Physical inventories at 12 support activities and at 80 using units disclosed numerous discrepancies between the records and the quantity of weapons on hand. Because of the condition of the records and the inadequate control of weapons transported to and from the support activities, GAO could not determine if the discrepancies represented paper shortages and overages or actual losses. (See pp. 19 and 20.)

Physical facilities and security precautions adequate

Physical facilities at the depots and individual unit weapons storage rooms appear to be adequate. The military police inspect the physical security of storage rooms and depots annually. Their inspection procedures are sufficient to detect deficiencies. (See p. 21.)

Inaccurate stock records--a long-standing Army problem

In previous reports to the Con-

gress, GAO noted that substantive differences existed between the Army's stock records and the actual quantities of items in inventories throughout the depot supply systems. (See p. 23.)

GAO repeatedly observed that:

- Inventory schedules were not adhered to.
- Inventory records were not reconciled and adjusted accurately or timely.
- Research necessary to identify the causes of inventory errors was not accomplished.

Internal review groups of the Department of Defense found and reported on similar matters. (See p. 23.)

RECOMMENDATIONS OR SUGGESTIONS

The Secretary of the Army should:

- Insure that accountable record reliability is reported to top management without excluding discrepancies from the computation and before errors are corrected.
- Insure that discrepancies between physical inventories and inventory records are investigated and accounted for on a timely basis.
- Develop a capability to evaluate the accuracy of the accountable records for weapons separate from less sensitive items of the supply system.

## CHAPTER 1

### INTRODUCTION

#### BACKGROUND

The U.S. Theater Army Support Command, Europe, is responsible for operating the Army's European wholesale supply system. A subordinate command--the Army Materiel Command, Europe--actually performs the wholesale supply support, which includes centralized inventory management.

The Materiel Command receives, stores, and issues weapons at four depots: Germersheim and Kaiserslautern, Germany; Burtonwood, England; and Leghorn, Italy. The Materiel Command was responsible for over 130,000 small arms valued at about \$25 million. The Materiel Command maintains the official record of accountability, i.e., the stock record account for each type of weapon in the depot. This record shows receipt, issue, adjustment and disposal actions, balance on hand, and other supply management data. The depots also maintain records of receipts, shipments, adjustments, and other related actions.

After receiving instructions from the Materiel Command, depots issue small arms to supply or maintenance support activities which assume accountability. These activities are merely an intermediate level between the depots and using units. The support activities, in turn, transfer the weapons and accountability to the using units. When the using units return weapons to the depot, accountability is again transferred through the support activities. Serial numbers are used to control accountability of weapons at the using units. This control is not used at the support activities or depots, however, because of the large volume of weapons handled.

#### SCOPE OF REVIEW

Our review covered transactions for the 18 months ended February 1972 and included small arms up to and including 50-caliber machine guns. We

- analyzed transactions by tracing receipts and issues shown on Materiel Command records to 12 support activities,
- analyzed research performed by the Materiel Command to find out why the stock records required adjustment,
- reviewed shipping and receiving procedures at the principal depot for small arms (Germersheim), and
- examined controls and accountability of weapons issued from the depot to the 12 support activities and to selected using units.



## CHAPTER 2

### SUPPLY RECORDS NOT RELIABLE

#### AS INDICATORS OF STOCKS ON HAND

The Army's accountable records for small arms in Europe were inaccurate and could not be relied on to show the actual quantities of weapons on hand. As a result, troops were denied weapons they needed or weapons were requisitioned from the United States when an ample supply was on hand in Europe.

Differences between the Materiel Command's stock records and the quantities on hand in the depots were the result of transactions that were not posted or that were improperly posted. These are essentially the same deficiencies we noted during previous reviews. (See ch. 6.)

The Army's method of testing inventory accuracy was faulty and could not be used to measure record reliability. The Army had not considered certain discrepancies which would have influenced the computation of the degree of inventory accuracy.

Further, the records of the principal small arms depot, Germersheim, did not agree with the quantity of weapons on hand. Delayed and duplicate posting and erroneous adjustments resulted in the differences.

#### INACCURATE RECORDS HAD ADVERSELY AFFECTED MANAGEMENT OF SMALL ARMS

Inaccurate accountable records had adversely affected the management of small arms stocks. For example, the history file for one type of machine gun showed that in June 1971 the record had been decreased by 211 machine guns valued at \$1.2 million. Materiel Command officials stated that the adjustment was required to correct a duplicate posting which occurred in August 1969. This means the accountable records were overstated for almost 2 years.

In September 1971, 250 of the guns were requisitioned from the United States. We questioned that portion of the outstanding requisition which, at that time, exceeded requirements. That portion of the requisition--71 guns valued at \$413,000--was subsequently canceled. In December 1971 a depot inventory showed there were 106 more of these weapons than were shown on the stock records. Materiel Command officials stated that, although they had researched the discrepancy, they could not explain it.

Another example of inaccurate accountable records involved 40 machine guns which had been loaned to a using unit in May 1971. Although no documentation was available to show the loan had been authorized, or even that a loan had been requested, Materiel Command personnel stated that the transaction was properly processed and recorded as a loan to support a firing exercise. However, they also stated that in March 1972--10 months later--they had changed the records to show that the weapons had been issued rather than loaned. They stated this was done because inquiry had shown the using unit had considered the weapons as being issued to it.

Since Materiel Command officials considered weapons on loan as being available for issue, they agreed that the accountable records had been overstated for the 10 months that the weapons were recorded as a loan. Moreover, if another unit had needed quantities of that type of machine gun during that period, it is entirely possible that they would have been unable to obtain them.

#### IMPROPER POSTING RESULTED IN INACCURATE RECORDS

Improper posting had resulted in considerable differences between the records of the Materiel Command and those of the depots. The following table illustrates how, because of improper postings, the records at the Materiel Command and the depots disagreed on a single item (Federal stock number 1005-726-5636, 50-caliber machine gun).

| Transaction                         | Depot records   |          |         | Materiel Command records |          |         |
|-------------------------------------|-----------------|----------|---------|--------------------------|----------|---------|
|                                     | Increase        | Decrease | Balance | Increase                 | Decrease | Balance |
| Opening balance                     |                 |          |         |                          |          | 5       |
| Note a                              |                 |          | 4       |                          | 1        | 4       |
| Depot receipt 1                     | 46 <sup>b</sup> |          | 50      | 46                       |          | 50      |
| Depot receipt 2                     | 44 <sup>b</sup> |          | 94      | 44                       |          | 94      |
| Reversal of 1                       |                 | 46       | 48      | not posted               |          | 94      |
| Reversal of 2                       |                 | 44       | 4       | not posted               |          | 94      |
| Depot receipt 2 (previously posted) |                 |          | 4       | 44                       |          | 138     |
| Depot receipt 2 (previously posted) |                 |          | 4       | 44                       |          | 182     |

<sup>a</sup> Materiel Command ordered the depot to issue one machine gun and reduced its balance on April 22, 1971.

<sup>b</sup> Were received by the depot but were withdrawn from records because of problems with equipment. Posted to other records.

This illustration shows that the reversals of two receipts were not posted to the accountable records of the Materiel Command. In fact, one of the receipts that should have been reversed was added two more times to the Materiel Command records. At the end of these transactions, the accountable record at Materiel Command showed a balance of 182 weapons; but, there were seemingly only four in stock at the depot. On May 9, 1971, the depot informed the Materiel Command that it could not issue the machine gun in response to an April 22 requisition because it had none in stock. On June 30, 1971, the Materiel Command reduced its stock record to a zero balance since the weapons could not be located; subsequent research by the Command could not explain the loss of these weapons.

## FAULTY METHOD OF TESTING INVENTORY ACCURACY

Officials at Army Headquarters in Europe advised us that overall inventory accuracy had ranged between 85 and 95 percent during the past year. Inventory accuracy is computed by relating the quantity of items having discrepancies to the quantity of items inventoried.

Using the inventory accuracy computation to measure record reliability is questionable because the computation does not consider all discrepancies. Excluded are discrepancies having a value of \$200 or less and those which can be resolved by the Materiel Command, such as transactions which may not have been posted or those which may have been posted twice. Although resolved, such discrepancies represent inaccuracies in the stock records even though they are not reported as such.

The inaccuracy is further demonstrated by the extent of the adjustments necessary during 1971 to correct the records. According to its records, the Materiel Command was accountable in February 1972 for about 133,000 small arms valued at about \$25 million. To make its records agree with what the depots actually had in storage, the Materiel Command adjusted its records by about \$27 million during 1971--\$2 million more in gross adjustments than the value of the inventory on hand in February 1972. These adjustments resulted in the records being increased by 67,000 weapons (\$10.6 million) and decreased by 82,000 (\$16.7 million).

Inventory accuracy based on counts taken at the Germersheim depot averaged 85 percent from July 1971 to February 1972. However, records on inventory accuracy are not maintained by materiel categories; thus there is no assurance that the 85-percent accuracy claimed for the overall inventory also held true for small arms.

### DEPOT INVENTORY RECORDS WERE NOT IN AGREEMENT WITH QUANTITIES ACTUALLY ON HAND

Records are maintained at the depots to identify storage locations and are adjusted to show changes in the stock balances. These records are used to adjust the official accountable records at the Army Materiel Command, Europe.

During our review, records at the Germersheim depot did not agree with quantities of weapons on hand. For example, in 1970 and 1971 the Army began a program of exchanging M-14 rifles for M-16 rifles in Europe. The Germersheim depot returned its depot stock of M-14 rifles to the United States. Thereafter, under the field return program it collected M-14 rifles from troop units and shipped the rifles to the United States. Some 900,000 transactions were involved in the exchange and return programs.

Records for the field return program showed that the depot had shipped to the United States 6,700 field return M-14 rifles in excess of the number of rifles its inventory records showed had been turned in by the field units. Depot personnel informed us that this resulted from not recording receipts during the weapon exchange and field return programs. These programs undoubtedly created an added workload for depot personnel. But such programs should not be allowed to break down the control of inventories. Regardless of the reasons for the situation, the records were out of balance and did not show the actual quantities of rifles on hand.

The following examples show that delayed or duplicate posting and erroneous adjustments also resulted in differences between records and quantities stored.

--A May 1971 receipt of 30 machine guns was posted to informal warehouse records. However, the receipt document was evidently lost, and the receipt was not posted to the formal depot records. The 30 weapons were discovered during the September inventory, and an unexplained adjustment was made to the depot records. Thus, the depot records were understated for 4 months.

--Receipts are required to be posted to depot records within 9 days. Posting of calendar year 1971 receipts from the 12 selected support activities averaged 29 days.

--161 machine guns and 521 rifles were posted twice, and the errors were not discovered and corrected for more than 1 month.

--Five erroneous adjustments involving 13 weapons were not corrected for 3 to 6 months. Four of these adjustments resulted from incorrect inventory counts, and the other adjustment was caused by not considering a shipping document.

Procedures were established at the depot in January and February 1972 that should correct many of these deficiencies, including weekly audits of machine output and followups of receipts to insure accurate and timely postings.

## CHAPTER 3

### CONTROL PROCEDURES NOT EFFECTIVE

#### FOR INSURING ACCURATE STOCK RECORDS

A sound and workable inventory management program should include, along with accurate inventory records, at least the following controls.

- Effective accountable control over weapons in transit.
- Adequately planned and scheduled physical inventories.
- Properly identified and accurately counted stock.
- Timely and accurately reconciled and adjusted records.
- Meaningful research to find out why the records were wrong.
- Elimination of the underlying causes for record errors.

Without effective controls, weapons could be lost or improperly posted transactions could go undetected, resulting in management's inability to accurately know what supplies are available for the troops.

Either the inventory management program for small arms in Europe lacked these controls or the controls needed improvement. Because small arms are considered sensitive items, they should be subjected to more stringent control than the ordinary nuts-and-bolts items of supply.

Inadequate records of transactions between depots and support activities resulted in loss of control over small arms. Physical inventories had not been scheduled regularly and research of inventory adjustments, necessary to identify what has gone wrong with the system, either has been inadequate or has been omitted entirely.

## CONTROLS OVER WEAPONS IN TRANSIT

Complete and accurate records at the support activities were not maintained. This contributed to loss of control over weapons being shipped between support activities and depots; accountability for a large number of weapons was lost.

An analysis of issues and turn-ins of small arms disclosed that half of the support activities we visited had not maintained the required stock accounting record. Consequently, we could not determine in most instances where weapons had come from and to whom they had been sent. By reviewing shipping documents, hand receipts, and any other available documents at these support activities, we noted that:

- The activities had received only 545 of the 640 weapons which Materiel Command records showed were shipped to them.
  
- The activities had returned 1,056 weapons to the depots, but the depots received 1,406 according to the Materiel Command records.

At those activities which did maintain accountable records, issues and turn-ins had not always been posted. Moreover, shipping documents supporting the records were often missing, which made it impossible to verify the recorded transactions, or they did not always contain sufficient data to identify the type and quantity of weapons shipped. For example, the support activities' records showed that they had received only 227 of the 509 weapons which, according to Materiel Command records, had been shipped. The records also showed that they returned 1,952 weapons to the depot, but Materiel Command records showed that 2,857 had been received.

The procedures followed for returning weapons to the depots did not insure that weapons leaving the support activities reached the depots. For instance, weapons might be dropped from the accountable record at the support activity on the basis of signatures or the initials of unknown individuals--presumably depot personnel who received



the weapons. In some cases weapons were dropped from accountable records on the basis of unsigned turn-in documents.

It was difficult to verify that the quantities received were actually the quantities shipped, because in many cases data on turn-in documents had been changed or written in at the depots. During the Army's rifle exchange program, the support activities did not always identify the quantity turned in. The depot had inserted the quantity on the shipping document after the weapons were received. The depots received about 65,000 M-14 rifles this way, but there was no way of knowing if the same number had been shipped.

According to records maintained at the support activities, 395 weapons from 43 shipments had been turned in to the depots in 1971 and dropped from support activity accountability. According to depot and Materiel Command records, these weapons were not received.

At our request, depot personnel researched their files and found that:

- Nine turn-in shipments involving 49 weapons had been posted erroneously under different accountable document numbers.
- One turn-in of 30 machine guns was received but was never posted to the accountable records.

Evidence of receipt of the remaining 33 turn-ins, involving 316 weapons valued at \$424,541, could not be found in the research even though depot personnel signed nine of the receipt documents.

#### NEED FOR FREQUENT PHYSICAL INVENTORIES

Small arms have not been regularly inventoried often enough. The last complete inventory of weapons at the Germersheim depot was in September 1971. No complete inventory had been taken at the depot for almost 2 years before that time. Depot personnel stated that they could not take physical inventories because of the exchange of M-14 and

M-16 rifles and the special field return program. They claimed that stock in the warehouse was being moved so often that conditions were not conducive to taking inventory.

We noted that the September 1971 inventory resulted in adjustments to 45 of the 66 types of small arms which the depot had in stock (excluding the M-14 and M-16 rifles). The following adjustments were made to the depot records to make them agree with the quantity on hand:

|                             | <u>Quantity</u> | <u>Value</u> |
|-----------------------------|-----------------|--------------|
| Increase (weapons overage)  | 671             | \$1,243,332  |
| Decrease (weapons shortage) | 1,956           | 976,048      |

In March 1972--6 months after the inventory--the depot could explain only six of the 45 adjustments. In commenting on our fact summary, depot personnel claimed that they had completed research of 19 adjustments. Our followup in June, however, showed that only 11 of the completed research actions related to the 45 adjustments cited by us. After 9 months only 24 percent of the September inventory adjustments had been completed. The other completed actions related to adjustments made because of warehouse denials, special inventories, or requests from the Materiel Command.

Because of the recent depot inventory, we limited our test to eight weapons on hand. We found that the quantity in storage for three of them did not agree with the depot records. Depot records were understated on some weapons by 94 and overstated on others by 76. These differences had not been reconciled at the close of our review in June 1972.

In May 1972, Materiel Command officials directed that the fiscal year 1973 inventory program include semiannual inventories of weapons.

UNTIMELY AND INEFFECTIVE  
RESEARCH OF INVENTORY ADJUSTMENTS

We believe that research by the Army has been untimely and, in some cases, ineffective because adjustments either have not been researched or the research has not been adequate to insure that there was no physical gain or loss.

Inventorying sensitive items is not a control if the records are not adjusted for differences. Each inventory gain or loss must be researched and analyzed to explain why the records were incorrect. Once identified, reasons for errors can be eliminated and accuracy improved. Finding out what went wrong and why it went wrong must be an integral part of a sound inventory program.

Research inadequate

In 1969 we reviewed the Army's inventory controls in Europe and reported that inventory adjustments were not researched in sufficient depth to explain the underlying causes for adjustments. The current research is still essentially inadequate.

During fiscal year 1971, 339 adjustments were made to bring the accountable records for small arms into agreement with the balance reported by the depots. Research explained 177 of these, and 42 were referred to the depots for investigation. However, 120 adjustments were not researched. This meant that the accountable records were adjusted by \$4.6 million without any explanation. Materiel Command officials estimated that the computer automatically reversed about 10 percent of the 120 unresearched items, but there was no documentation to support this estimate.

We noted that almost two-thirds of the 177 discrepancies researched were explained only as offsets to previous adjustments. No further attempt was made to explain the gain or loss. In cases we examined, the offsetting transaction did not always adequately explain the adjustment. For example, a physical inventory at one depot disclosed 103 machine guns on hand in January 1971. Shortly thereafter, the Materiel Command directed the depot to issue one of the guns. After receiving the reply that none were

in stock, they adjusted their records to reflect a zero balance. When the adjustment was researched and analyzed, it was explained as having offset an inventory gain that had been posted to the records on October 23, 1969. This, of course, does not explain the 103 missing weapons that had been physically counted. Materiel Command personnel agreed their research was inadequate. Subsequent research by the Materiel Command and the depot did not, however, solve the mystery of the loss.

### Research not timely

Timely and thorough research and analysis, in our opinion, is essential to (1) evaluate trends or isolate problems within the system, (2) eliminate similar future discrepancies, and (3) insure that proper adjustments are made.

Officials of the Materiel Command agreed that timely and thorough research was an essential control and that their research often lacked the timeliness and adequacy to explain inventory adjustments. During fiscal year 1971, some inventory adjustments were not resolved after 12 months. In March 1972, adjustments that had been made during June 1971 still were being researched. The officials said that the research was not completed on a timely basis because:

- A higher priority was assigned to implementing and reconciling physical inventories at the depot.
- Managerial review of the research of inventory adjustments frequently resulted in the requirement for more research.

Materiel Command officials have established a goal of reducing the research backlog to adjustments that are not more than 2 months old. In May 1972 they claimed that they were concluding research on adjustments that occurred during the last 3 months of calendar year 1971. Our followup in June 1972 showed that adjustments made in August 1971 had not been resolved completely. When we brought this to the attention of officials, they agreed that progress in reducing the backlog was not as advanced as they had indicated. In fact, we found that November 1970 adjustments that had been referred to the depot still had not been explained in June 1972.

## AGENCY COMMENTS AND CORRECTIVE ACTION

We believe the lack of controls and accountability over weapons and the condition of the accountable records result from inadequate instructions concerning (1) the extent to which the support activity is accountable for weapons and (2) what accountable records they are required to maintain. Although Army Headquarters officials in Europe were able to outline the flow of accountability between the levels of supply and to describe the accountable documents which were required to be kept, they had not passed this information on to the support activities.

Despite the lack of accountable records and the discrepancies between quantities shipped and received, officials of the Theater Army Support Command, Europe, did not agree that the system lacked control. They stated that, if followed, regulations were adequate to insure proper documentation and control. Instead of investigating our findings, they had five supply specialists review approximately 140 turn-in documents for transactions occurring during a 2-year period. This, they stated, was an exhaustive investigation requiring 2 months to complete.

They also stated that it

"\*\*\* required a tremendous effort to follow documents from the unit through the support activity to the depot. At the depot a great effort was required by many operating personnel to research, investigate, and verify documents, signatures, and numbers."

They stated that, although modifications in paperwork made auditing difficult, they were able to identify transactions for all documents except four. Although this audit effort was not responsive to our findings, it deserves comment because it points up the difficulty in determining the actual quantities of weapons.

Although the Support Command did not acknowledge the existence of lack of control and loss of accountability, they have instituted some corrective action. Because of our findings, the Commanding General of the Support Command

directed that action be taken to improve document control and accountability for small arms. Specific action to be taken included training classes to be conducted by, or in the presence of, the depot commanders. The training was to emphasize improving receipt documentation procedures to cover (1) erroneous Federal stock numbers, (2) erroneous quantities, and (3) erroneous condition codes.

## CHAPTER 4

### ACCOUNTABLE CONTROLS BELOW DEPOT LEVEL

When weapons are issued to supporting activities for subsequent shipment to using units, accountability also is transferred and stock records at the Materiel Command are decreased. Safeguarding the weapons then is the responsibility of either the support activities or the using units to which the weapons ultimately are issued.

The support activities function merely as an intermediary and, as such, account for the control of weapons issued only until they are passed on to a using unit or, in event of turn-ins, until they are returned to the depot.

### SUPPORT ACTIVITIES

Although storage at this level is temporary, weapons still must be safeguarded. We inventoried storage rooms containing 590 weapons and found that 62 weapons were shown on the support activities' records but were not in the storage rooms; 85 other weapons were in their storage rooms but did not appear on their records. Because of the conditions of the accountable records (see p. 5) and the inadequate control of weapons transported to and from the support activities, we could not determine if these discrepancies represented paper shortages and overages or actual losses.

### USING UNITS

Property books and hand receipts by weapon serial number are used to maintain accountability at using units. When weapons are received at the battalion level, they are entered on the property books and accountability is transferred to subordinate units on a hand receipt. Weapons on hand receipts then may be signed out of the unit's weapons storage room for temporary use, i.e. guard duty or field exercises. The procedures provide adequate control but are not always followed; as a result, accountable control over the weapons can be lost.

We inventoried 80 unit storage rooms with 15,735 weapons on hand receipts. Our count of weapons and analyses of accountable documents disclosed that:

--783 weapons were in the storage rooms but not entered on the property books.

--26 weapons were on the property books but had been shipped elsewhere.

--348 weapons had been issued to units by property book officers but were not on hand receipts.

--Eight weapons were missing from storage rooms.

The units attempt to control accountability by counting the weapons at least once a day. Although these counts will determine the quantity on hand, they cannot be used as a control in the overall supply function because the daily counts are not compared to the units' accountable records, as demonstrated by the results of our inventories. Moreover, property books cannot be verified adequately because the units have not kept all documents supporting issues and receipts and because higher level supply records are inadequate to verify unit accountable records.



## CHAPTER 5

### ADEQUACY OF PHYSICAL FACILITIES

Physical facilities at the depots and individual weapons storage rooms appear to be adequate. We did not study the physical facilities in depth because of the nature of the military inspections and the small number of weapons losses which could be attributed to thefts from the storerooms.

The military police annually inspect weapons storage rooms and depots. We examined their policies and procedures for making these inspections; in our opinion, they are adequate to detect physical security deficiencies.

The Army maintains yearly records of what it considers to be losses of small arms in Europe. However, theft from forced entry into the storage rooms was only one of a number of reasons for such losses.

The military police reported that the weapons were:

--Lost because of forced entry into the storage rooms.

--Missing and not detected until reconciliation of inventories.

--Lost because they were left unattended on desks and beds and in file cabinets and wall lockers.

--Lost during field training exercise.

--Lost because they were dropped from vehicles.

These types of losses do not, in our opinion, indicate any significant weakness in the storage facilities.

During 1970 and 1971 the 45-caliber pistol represented 61 percent and 52 percent, respectively, of weapons stolen or missing. The recovery experience for these same weapons was less than 3 percent in each year.

|                   | <u>1970</u>                |                             | <u>1971</u>                |                             |
|-------------------|----------------------------|-----------------------------|----------------------------|-----------------------------|
|                   | <u>Missing/<br/>stolen</u> | <u>Found/<br/>recovered</u> | <u>Missing/<br/>stolen</u> | <u>Found/<br/>recovered</u> |
| M-14 rifle        | 74                         | 5                           | 15                         | 13                          |
| M-16 rifle        | 18                         | -                           | 37                         | 2                           |
| M-16A1 rifle      | 2                          | 1                           | 40                         | 3                           |
| 22-caliber pistol | 20                         | -                           | 4                          | 1                           |
| 22-caliber rifle  | -                          | -                           | 2                          | -                           |
| 45-caliber pistol | 227                        | 3                           | 149                        | 6                           |
| 38-caliber pistol | 1                          | -                           | 9                          | 1                           |
| Other             | <u>29</u>                  | <u>=</u>                    | <u>29</u>                  | <u>11</u>                   |
|                   | <u>371</u>                 | <u>9</u>                    | <u>285</u>                 | <u>37</u>                   |

## CHAPTER 6

### INACCURATE STOCK RECORDS--

#### A LONG-STANDING PROBLEM IN THE ARMY

The inability to keep accurate inventory records has been a long-standing problem in the Army. In our report entitled "Improved Inventory Controls Needed for the Departments of the Army, Navy, and Air Force and the Defense Supply Agency" (B-146828, Nov. 14, 1967), we pointed out that substantive differences existed between stock records and the actual quantities of items in inventories throughout the depot supply systems. Some of the factors contributing to inaccurate stock records were:

- Inadequate control of documentation for receipts and issues occurring while physical inventories were taken.
- Failure to make proper reconciliations between the physical inventory count and the stock records.
- Failure to accomplish prescribed inventories.
- Inadequate research of adjustments to the stock records to disclose causes for the differences.

We reported to the Congress on "Movement of American Forces from France (Operation FRELOC)," (B-161507, Aug. 7, 1968) and noted that the Army lost control over large quantities of supplies and equipment, including weapons, because inventory records were inaccurate.

This condition also was detailed in our report "Army and Air Force Controls Over Inventories in Europe" (B-161507, June 30, 1969). We noted that many inventory adjustments were made to stock records without adequate research to determine why the adjustments were made.

Department of Defense internal audit groups also noted the same deficiencies in supply control during this period. Department of Defense officials advised us that corrective action would be taken to reduce the problems associated with maintaining stock record accuracy.

When we made a followup review in 1969, we noted that the Army had not made any significant improvement in the accuracy of inventory records despite new procedures initiated by the Department of Defense. In our report, "Army Inventories--Inaccuracies, Effects, and Ways to Improve" (B-146828, Feb. 26, 1971), we noted that:

- Inventory schedules were not adhered to.
- Reconciliation and adjustment of inventory records were not accurate or timely.
- Research necessary to identify the causes of inventory errors was not accomplished.
- Controls to insure that records were kept accurately were not implemented fully.

The extensive inventory adjustments to stock records severely limited their reliability.

The Army Materiel Command's inventory-monitoring team and other Army internal review groups found and reported on matters similar to those that we found.

Officials of U.S. Army Headquarters in Europe advised us that conditions had improved significantly since our earlier reports. Although we recognize that they have attempted to improve their stock records, we do not believe they have achieved the accuracy and reliability necessary for making valid supply-management decisions. Accountable records require extensive adjustments to bring them in line with quantities on hand, and control procedures are inadequate for insuring accurate stock records.

CHAPTER 7CONCLUSIONS AND RECOMMENDATIONS

We have repeatedly reported that substantive differences existed between stock records and the actual quantities of items in inventories throughout the depot supply systems. Internal review groups of the Department of Defense found and reported on similar deficiencies. Although the Army has taken some action to improve this situation, our review of small arms shows that the accountable records continue to be inaccurate.

This situation is fostered by an Army policy which permits changing the records to correct errors before determining the accuracy of the records or the circumstances requiring the change. We believe that management cannot accomplish its mission if the records needed for decisionmaking are inadequate. Quantities shown on inventory records should be compared with physical inventory counts, and the reasons for discrepancies should be investigated. We believe that the control of records pertaining to weapons should be administered more stringently than the records of less sensitive items being stored.

If a pure comparison of inventory counts with stock records were to be used as a measure of record reliability, we believe the performance of the Army in Europe would be recognized as being less than effective.

Rather than identifying and eliminating the causes for record adjustments, the Army's intent in Europe appears to have been merely clearing the records. In our opinion, the importance of accountability records as a form of control cannot be overemphasized. Without effective control, the loss or theft of weapons could go undetected.

The Army has no assurance that the quantity of weapons received is the same quantity shipped. We could not conclude from the evidence that weapons have been stolen or lost from the supply system (except as shown in ch. 5). However, under conditions where the accountable records at the Materiel Command require numerous adjustments to bring them into line with the quantities actually stored in the

depots and where records differ at all Army echelons, weapons could have been lost or stolen without detection either by the Army or by us in our review.

### RECOMMENDATIONS

We recommend that the Secretary of the Army:

- Revise regulations and instructions dealing with inventory accuracy measurement to require that accountable record reliability be reported to top management without excluding discrepancies from the computation and before errors are corrected.
- Insure that discrepancies between physical inventories and inventory records are investigated and accounted for on a timely basis.
- Develop a capability to evaluate the accuracy of the accountable records for weapons separate from less sensitive items of the supply system.

JOHN L. MCCLELLAN, ARK., CHAIRMAN  
 HENRY M. JACKSON, WASH.  
 SAM J. ERVIN, JR., N.C.  
 EDMUND S. MUSKIE, MAINE  
 ABRAHAM RIBICOFF, CONN.  
 FRED R. HARRIS, OKLA.  
 LEE METCALF, MONT.  
 JAMES B. ALLEN, ALA.  
 HUBERT H. HUMPHREY, MINN.  
 LAWTON CHILES, FLA.

JAMES R. CALLOWAY  
 CHIEF COUNSEL AND STAFF DIRECTOR

KARL E. MUNDY, S. DA.  
 JACOB K. JAVITS, N.Y.  
 CHARLES H. PERCY, ILL.  
 EDWARD J. GURNEY, FLA.  
 CHARLES MCC. MATHIAS, JR., MD.  
 WILLIAM B. SAXBE, OHIO  
 WILLIAM V. ROTH, JR., DEL.  
 BILL BROCK, TENN.

## United States Senate

COMMITTEE ON  
 GOVERNMENT OPERATIONS  
 SENATE PERMANENT SUBCOMMITTEE  
 ON INVESTIGATIONS  
 (PURSUANT TO SEC. 4, S. RES. 31, 92D CONGRESS)

WASHINGTON, D.C. 20510

February 18, 1972

### SUBCOMMITTEE:

JOHN L. MCCLELLAN, ARK., CHAIRMAN  
 HENRY M. JACKSON, WASH.  
 SAM J. ERVIN, JR., N.C.  
 ABRAHAM RIBICOFF, CONN.  
 JAMES B. ALLEN, ALA.

KARL E. MUNDY, S. DA.  
 CHARLES H. PERCY, ILL.  
 JACOB K. JAVITS, N.Y.  
 EDWARD J. GURNEY, FLA.

JOHN P. CONSTANDY  
 CHIEF COUNSEL

PAUL E. KAMERICK  
 ADMINISTRATIVE ASSISTANT

PHILIP W. MORGAN  
 CHIEF COUNSEL TO THE MINORITY

BEST DOCUMENT AVAILABLE

My dear Mr. Comptroller General:

In our current examination of the U.S. military property disposal system in Europe, the Permanent Subcommittee on Investigations has noted instances which suggest that arms dealers apparently have obtained military hardware and weapons from the supply system in Europe. For that reason, I am concerned that the Army may not have adequate practices, procedures and controls to insure proper safeguarding of weapons. Therefore I am requesting the General Accounting Office initiate an immediate review of the Army's practices and procedures to control and account for small arms in Europe including but not limited to such items as machine guns, mortars and rifles.

Because your review would be closely related to the Subcommittee's examination of property disposal in Europe, I would appreciate it if you included in your review any of those items the Subcommittee staff believes have been improperly obtained by arms dealers from the Army supply system in Europe and any other items necessary to evaluate the adequacy of controls. It would be helpful if indications of fraud, collusion, theft, or other improprieties noted by your review team were immediately disclosed to the Subcommittee staff.

To assure the adequacy of the review, your staff should be specifically alert to the reliability of supply records as valid indicators of stocks actually in storage, the effectiveness of control procedures for assuring the accuracy of stock records, the adequacy of physical facilities for safeguarding small arms, and the security precautions imposed in those facilities.

APPENDIX I

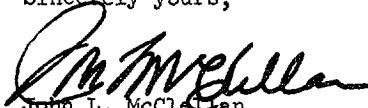
The Comptroller General  
of the United States

February 18, 1972

I would appreciate it if you would be prepared to report on the results of your review by June 1, 1972. If there are any questions or additional details required concerning the review, they can be discussed in detail with the members of my staff. I am making a copy of this letter available to the Secretary of Defense.

I am very grateful for the work you and your staff have performed for the Subcommittee in the past, and hope that our close cooperation can continue. With best regards,

Sincerely yours,



John L. McClellan  
Chairman

The Comptroller General  
of the United States

BEST DOCUMENT AVAILABLE