

STATEMENT BY

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BEFORE THE

**SUBCOMMITTEE ON NATIONAL SECURITY AND FOREIGN AFFAIRS
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
UNITED STATES HOUSE OF REPRESENTATIVES**

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ON

**INVESTIGATION INTO THE SALE OF SENSITIVE, IN-DEMAND MILITARY
EQUIPMENT AND SUPPLIES ON THE INTERNET**

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Chairman Tierney, Ranking Member Shays and distinguished Members of the Committee: on behalf of the Army, thank you for the opportunity to appear before you today to discuss the sale of sensitive, in-demand Army equipment and supplies on the Internet. I welcome this opportunity to provide you forthright and honest assessments of Army property accountability and to further assure you that the Army is taking the measures necessary to maintain control of our equipment and supplies.

Today's testimony focuses on the sale of sensitive, in-demand Army equipment and supplies on the Internet, specifically two websites – eBay and Craigslist. The Army takes seriously its responsibility as stewards of the US taxpayers' dollars. We have both law and policy in place that prohibits the sale of Government property by private individuals. We also have processes and systems to track our material and prevent such abuses.

First, let me say that the Army recognizes that all the Services have had property accountability and visibility challenges. Before beginning a discussion on the Army's current property accountability issues, it is essential to highlight a fundamental contributing factor. There is a significant challenge in attempting to balance the rapid fielding of critical equipment and supplies to Theater with the necessary business processes to manage this flood of new assets. With Congress' assistance the Department of Defense was able to push essential materiel to troops in Operation Enduring Freedom and Operation Iraqi Freedom (OEF/OIF). In some cases, particularly early on in OIF and OEF, our ability to maintain adequate accountability of those assets lagged behind this new, rapid fielding methodology. This has been a learning process for all the Services and we continue to refine our processes.

In the early stages of OIF and OEF, we recognized the obstacles field commanders faced in conducting combat operations while carrying out their property accountability responsibilities. In May 2003, we developed a limited wartime accountability policy to relieve commanders of the administrative burden that impeded the rapid resupply and refit of our forces. However, we found that in our aggressive efforts to ensure deploying and deployed units had the best equipment possible, we created challenges for commanders

and the supply system in accounting for and tracking equipment. In November 2005, we rescinded the limited wartime accountability policy in order to meet the demands of the Global War on Terrorism, transformation, reset, training and modernization. We then published additional guidance on accountability responsibilities to include proper use, care, custody, safekeeping and disposition of Government property entrusted to units and individuals. This message also addressed the Command Supply Discipline Program, which I will talk about later, Financial Liability Investigations of Property Loss and accountability of locally purchased items.

Before explaining the more specific actions the Army has taken to maintain property accountability and visibility, the following highlights the statutory and regulatory guidance that govern military equipment in the hands of units or individuals. The Uniform Code of Military Justice (UCMJ) and Army Regulations (AR) provide for numerous punitive actions for misappropriation, theft and/or sale of military property. There are three articles in the UCMJ that specifically pertain to these criminal activities:

1. **Article 92. Failure to obey order or regulation.** This offense carries a maximum penalty of Dishonorable Discharge, forfeiture of pay and allowances, and up to 2 years confinement.

2. **Article 108. Military Property of the United States-loss, damage, destruction, or wrongful disposition.** This offense carries a maximum penalty of a Bad Conduct Discharge, forfeiture of pay and allowances, and up to 1 year confinement for property valued less than \$100 or Dishonorable Discharge, forfeiture of pay and allowances, and up to 10 years confinement for property valued more than \$100.

3. **Article 134. (Stolen property: knowingly receiving, buying or concealing).** This offense carries a maximum penalty of a Bad Conduct Discharge, forfeiture of pay and allowances, and up to 6 months confinement for property valued less than \$100 or Dishonorable Discharge, forfeiture of pay and allowances, and up to 3 years confinement for property valued more than \$100.

In addition to the UCMJ, the Army has two specific regulations that address accounting for Army property. The overarching regulation for accountability of Army property is **AR 735-5, Policies and Procedures for Property Accountability**. This regulation lays down the basic policies and procedures in accounting for Army property. Specifically, it sets the requirement for formal property accounting within the Army, implements specific property accounting procedures, defines accountability and responsibility, identifies the categories of property and the accounting procedures to be used with each, identifies the basic procedures for operating a property account and provides the policy for offering rewards for the recovery of lost property.

AR 735-5 also prescribes the accounting procedures to be used when Army property is discovered lost, damaged, or destroyed through causes other than fair wear and tear. The policies and procedures contained in this regulation derive their authority from several US Codes. AR 735-5 clearly states that "No Government property will be sold, given as a gift, loaned, exchanged, or otherwise disposed of unless specifically authorized by law. Items replaced-in-kind and payments made... for lost, damaged, or destroyed Army property do not constitute a sale of Army property. Title to such property remains with the U.S. Government". In other words, even if an individual is found liable for lost, damaged or destroyed Government property, the Government retains ownership of the lost, damaged or destroyed property even if the individual has made full restitution for the equipment.

The regulation also specifies five levels of responsibility to prevent unauthorized sale of military equipment and supplies. The levels of responsibility are: Command responsibility, Supervisory responsibility, Direct responsibility, Custodial responsibility and Personal responsibility.

The second regulation is **AR 710-2, Supply Policy Below the National Level**, which applies in peace and war and provides specific policy for the accountability and assignment of responsibility for property issued to a unit. It also provides for the accountability, management of stocks and inventory controls of items stored at supply support activities (SSAs) for issue to a Soldier. Chapter 1-12 of AR 710-2 specifically states that all property acquired by the Army, regardless of source, whether paid for or not,

is accounted for as prescribed by these and other applicable Army regulations. The regulation also distinguishes between, and provides policy regarding, the different types of property. The key provisions of AR 710-2 pertaining to property accountability are:

1. Employees of the Army, both military and civilian, are required to turn in to the supply system all Government property that has been found.
2. Property that has been found but not otherwise accounted for is immediately placed under the control of an accountable property officer.
3. If there is no mission need for the item(s) they must be turned in immediately per instructions detailed in the regulation.

The Army has aggressively tackled the issue of property accountability across the Service and continues to make improvements to increase visibility and control of equipment and supply.

On 28 August 2006, the Army implemented an initiative called "Operation Total Recall" to establish 100% accountability of Army assets through policy revision and enforcement, focused inventories, training, and emphasis on the Command Supply Discipline Program (CSDP). The intent of Operation Total Recall is to assist commanders in their efforts to re-establish property accountability and ensure that they account for equipment using automated systems called Standard Army Management Information Systems (STAMIS). Our end-state is corporate-wide Army asset visibility. Operation Total Recall required units to conduct quality and focused inventories; initiate property record adjustments; update property books; and report the completion of all inventories and their results through command channels. To date, the Army has returned to accountable records over 20,000 items worth more than \$135M.

The Army's Command Supply Discipline Program (CSDP) is a commander's program that standardizes supply discipline requirements across the Army, provides responsible personnel with a single listing of all existing supply discipline requirements and makes the Army more efficient regarding time spent monitoring subordinates' actions. Under the

CSDP, each commander is required to provide the personal interest and direction necessary to establish and ensure the success of his or her CSDP and appoint a CSDP coordinator to assist him/her in monitoring the program. The CSDP requires commanders and supervisory personnel to instill supply discipline in their operations; provide feedback through command and technical channels for improving supply policy and procedures; and follow-up to ensure that supply discipline is maintained. Local CSDP monitors and CSDP coordinators can provide supply discipline training, accept and forward supply policy and procedure deviation and change requests, and perform follow-ups. External evaluations to determine compliance with the CSDP are required for active duty units on a quarterly, semi-annual or annual basis, depending on the type of unit. Commanders may also direct an external evaluation at any time. Evaluations are recorded and results are provided to the organization evaluated and the next higher organization in the chain of command. Discrepancies are assigned a suspense date and repeat discrepancies are noted in the report. Units are required to maintain their last two evaluations on file.

Operation Total Recall also granted specific joint inventory supply policy deviation for United States Army Central Command (USARCENT). The deviation allows sub-hand receipts to be used in lieu of joint inventories for most equipment. This offers relief to commanders and their workload by allowing them to let junior leaders take control of property accountability, especially at remote Forward Operating Bases, and minimizes travel within the Theater of Operation during Relief in Place/Transfer of Authorities (RIP/TOAs).

Operation Total Recall contains six segments for actions: Organizational Clothing and Individual Equipment (OCIE) inventory; asset visibility issues resolutions; management of Controlled Cryptographic Items (CCI), Communication Security (COMSEC) and classified equipment; Installation property movement exceptions; Financial Liability Investigation of Property Loss (FLIPL) policy and procedure updates; and specific Command Supply Discipline Program (CSDP) procedures.

The Army directed wide dissemination of information on the establishment of Amnesty

Boxes at OCIE Central Issue Facilities (CIFs) in November 2007. Soldiers could turn in unrecorded or excess organizational clothing and individual equipment without fear of attribution or reprisal. The OCIE that was turned in was documented using Found On Installation procedures. Serviceable items excess to a specific CIF were identified to the Central Management Office (CMO) for redistribution to fill requirements. This program proved to be very successful.

Prior to 2001, the Army relied on an automated property accountability system that was of limited use in providing total asset visibility across the entire Army. In 2001, the Army began replacing the outdated property accountability system with a new, web-based system, the Property Book Unit Supply – Enhanced (PBUSE), that has provided greatly expanded capability for both property accountability and asset visibility. PBUSE is the first web-based property accountability system with features that significantly improve not just accountability at the local level, but allows asset visibility of unit property across the Army. Among the many benefits to the Army that have resulted from the development and fielding of PBUSE is the management of excess property and shortages. Unit commanders now have the capability to see excess property across multiple units and to redistribute the property when needed. We are also leveraging PBUSE to assist in the visibility and accountability of PM-owned equipment prior to fielding, battle loss turn-ins, physical losses, and RESET turn-ins. In early 2007, PEO-Soldier, working with the OCIE Central Management Office and HQDA, developed an automated PEO interface with PBUSE. Data is uploaded to PBUSE and the Central Issue Facility Integrated Support Module (CIF-ISM) which automatically captures all issues to a Soldier's Clothing Record that is maintained throughout the Soldier's career. This interface allows the Army to capture in automated records all the OCIE that has been fielded. Fielding of PBUSE began in November 2002 and ended in September 2007 for Army field units.

As you can tell, Mr. Chairman and Members of the Committee, the Army has been proactive in the development of property accountability policies and processes. We take our fiscal responsibilities very seriously and continue to look for ways to improve our property accountability enterprise. We have conducted studies on property accountability;

we have a website (LOGNET) where we encourage lively exchanges on supply policy issues; we have published articles on property accountability in Soldier magazines; and we welcome input from Soldiers, civilians and contractors on process improvements.

To close, Mr. Chairman, and Members of the Committee, on behalf of our Soldiers, we greatly appreciate the tremendous support of the Congress in the Global War on Terrorism and Army Transformation. The Army remains committed to transforming, sustaining, resetting and preparing our Soldiers and equipment for current operations and future contingencies, while continuing to uphold the values on which our Army was built. Thank you for this opportunity to appear before you today.