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United States General Accounting Office

Report to the Chairman, Committee on Governmental Affairs, U.S. Senate

September 1994

## INVENTORY MANAGEMENT

# Handheld Missiles Are Vulnerable to Theft and Undetected Losses



Notice: This is a reprint of a GAO report.

GAO	United States General Accounting Office Washington, D.C. 20548
	National Security and International Affairs Division
	B-256115
	September 16, 1994
	The Honorable John Glenn Chairman, Committee on Governmental Affairs United States Senate
	Dear Mr. Chairman:
	In response to your request, we inventoried the military services' most sensitive (Category I) missiles. The reported loss of control over these missiles during the Persian Gulf War had raised concern that some of these missiles may be missing. We visited all 78 land-based storage sites, counted each missile container, opened a sample of these containers, and recorded pertinent identifying information such as serial numbers. We excluded missiles stored aboard ships and provided under the Foreign Military Sales Program. We compared the number of missiles counted at each location to two different levels of records: (1) the item managers' records and (2) the records at that location or base.

### Background

Category I missiles—the Stinger (see fig. 1), Redeye, and Dragon—are handheld, accurate, lethal, and in most cases ready to fire.

#### Figure 1: The Stinger Missile



Since 1970, several hundred thousand of these missiles have been produced and issued to the military services, and thousands were sold to other nations through the Foreign Military Sales Program. Because the

Stinger and the Redeve can destroy aircraft in flight and the Dragon can pierce armor, they are in demand by terrorists, insurgents, and drug dealers. The Army and the Marine Corps are the primary purchasers of Category I missiles; consequently, we focused our review on their inventories. In 1991, the Defense Department's Inspector General inventoried 60 percent of the Army's and the Marine Corps' Stinger missiles. The Inspector General could not account for 188 missiles and concluded that the two services' inventory records were inaccurate and reporting procedures were ineffective. The Inspector General considered the inventory variances to likely be the result of paperwork problems. The last page of the report contains a list of the Defense Department, the Army Audit Agency, and our reports published over the years on the control of and accountability for Category I missiles, ammunition, and explosives. Many serious discrepancies in the quantities, locations, and serial numbers **Results** in Brief of Category I missiles indicate that the services have poor oversight and record-keeping of these lethal weapons. Further, the services do not know how many Category I missiles they should have in their possession because they did not establish systems to track the missiles produced. fired, destroyed, sold, and transferred by serial number. We therefore could not determine the extent to which missiles may be missing from inventory. Service inventory records differed from our physical count by thousands of missiles. In addition, physical security measures are not uniformly applied at all locations where these missiles are stored. Moreover, during the Persian Gulf War, inventory problems complicated accountability of the missiles. According to law enforcement officials, thefts of missiles from U.S. inventories have been alleged numerous times over the years, but no such thefts have been confirmed. The poor oversight and record-keeping of Category I missiles, however, lead us to conclude that these missiles have been and remain vulnerable to theft or other undetected losses.

Past Problems Have Been Reported	Some missile inventory problems can be traced to the Persian Gulf War. Although the Army's item managers <sup>1</sup> had knowledge of Army missiles within the wholesale system and could direct wholesale shipments to the Persian Gulf, they either lacked or believed they had inaccurate information on missiles that were shipped at the unit level. Some Army combat units deployed to the Gulf with more than their authorized levels of ammunition, including Category I missiles. In addition, we were told that several units disposed of their inventory records before deployment to the Gulf, and at one supply point, both hard copy and automated inventory records were allegedly destroyed. The Marine Corps knew how many missiles it sent to the Gulf because it sent all it had.
	In the Persian Gulf, the combat theater commander relaxed administrative requirements, as permitted by regulation, so that weapons could be quickly provided to support military operations. According to Army officials, at the entry port, combat units took what they wanted. In addition, some missiles were transported unguarded on trucks driven by third country nationals, and some ammunition sites were wide open. According to one Army official, due to the lack of accountability, it would be "pure luck" if no missiles were lost.
	The Marine Corps inventoried missiles at entry ports to ensure that units received the appropriate number of missiles, and Marine guards accompanied each vehicle carrying missiles. Although some units signed for their missiles, particularly Stingers, others did not. In addition, units frequently shared ammunition. According to one Marine official, missile accountability was lost at this point, if not earlier.
	To expedite troops' return to the United States at the end of the war, units were allowed to turn in weapons, ammunition, and equipment without documentation. Unauthorized items, such as enemy weapons, could be placed in "amnesty" boxes; some Stinger missiles were also placed in these boxes. In addition, according to Army officials, a load of Stinger missiles was found unguarded on the side of a road.
Services Reconcile Missile Inventories at War's End	The Army and the Marine Corps reconciled the missiles sent and returned from the Persian Gulf with reported combat use and concluded that no missiles were missing. According to the Army's analysis, 6,373 Stinger
	<sup>1</sup> Item managers are responsible for Category I missiles while they are at or en route to and from a depot and for reporting missile inventory levels and locations for combat deployment and sustainment requirements. Historically, the item managers have managed missiles by quantity and not by serial number.

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	missiles were shipped to the Gulf, and the same number of missiles were returned. The Army said it did not fire any Stingers in combat or training while in the Gulf.
	While the Army could reconcile the missiles it was told were sent with those returned by quantity, it could not reconcile by serial number. A comparison of serial numbers showed that 40 of the missiles sent to the Gulf were not returned to the depot, other Army locations, or the other services. The Army does not know where these missiles are. In addition, the Army could not determine ownership for 1,400 of the missiles returned because it did not have serial numbers for all the missiles sent to the Gulf. The item manager provided a list of these serial numbers to all Army units and to the other services; however, none of the missiles were claimed.
	The Army's reconciliation also does not include 106 missiles taken by a unit to the Persian Gulf against instructions and therefore not recorded as having been sent to the war. The unit returned the missiles to the depot after returning from the Gulf War. It also does not account for a Stinger missile that was damaged and then destroyed in theater.
	According to a Marine Corps official, the Marine Corps shipped 3,754 Stinger missiles and 7,485 Dragon missiles to the Persian Gulf. All were returned except for 7 Stingers and 160 Dragons, which were reportedly fired during the war. However, the Marine Corps cannot be certain that all unfired missiles were returned because it did not compare the serial numbers of missiles shipped with those returned. Furthermore, the Army's reconciliation includes a missile that is also claimed by the Marine Corps.
The Services Do Not Know How Many Missiles They Should Have	Our review showed it is impossible to accurately determine how many missiles are missing at the item manager or storage level because the services did not establish effective procedures to determine what should be in their inventories. Such a procedure would compare the number of missiles produced less the number fired, destroyed, sold, or transferred with on hand inventories. Although the services have collected this information over the years, they stated it is inaccurate and incomplete and therefore unreliable. The services stated that they cannot correct the situation because they cannot reconstruct the data that would be needed.
Item Managers' Records Are Inaccurate	Oversight responsibility for each type of Category I missile has been assigned to a single individual or organization within each service.

However, responsibility for control, security, and accountability of these missiles rests with those organizational entities having physical custody of them. This means that item managers are expected to know, at any point in time, how many missiles are in inventory and where they are located, but are dependent on many others for this information. Item managers told us that reporting this information is a problem because some units fail to report or inaccurately report missile inventories. Oversight organizations do not have the authority to direct compliance with reporting requirements. They are also dependent on those having custody of missiles to conduct required and unscheduled physical inventories and to report any adjustments to them.

The services referred us to their item managers for information on how many missiles were in inventory and where they were located. The item managers told us they would have difficulty providing missile quantities and storage locations and would have to contact combat units and storage locations directly to get accurate information.

Nevertheless, item manager records differed substantially from our physical inventory count of the missiles (see table 1).

Missile <sup>®</sup>	Our inventory	Service records	Difference
Stinger	36,216	28,484	7,732
Dragon	40,359	50,103	9,744
Redeye	7,983	2,753	5,230

"We did not include missiles on ships at sea.

The following examples show how these differences could be so large:

- The item manager's record of missiles at one major depot showed 7,370 in the inventory; we counted 12,426.
- In Europe, item managers' records indicated that 22,558 Category I missiles were on hand; we counted 20,373, a difference of 2,185.
- At a manufacturing facility, we counted 953 more missiles than the item manager told us were there. This variance resulted in part because contractor employees deleted 130 missile serial numbers from the database to make it match the number of missiles they believed were in the two magazines.

Table 1: Comparison of Our Inventory With Item Manager Records, by Missile Type

	serial number. The controlling missi Since the Persian twice—once by of Although the Arr obtaining contro because the missi	re recognized that they mu he Navy and the Marine C iles by serial number in 19 n Gulf War, the Marine Co quantity and more recently ny's Stinger and Dragon if l by serial number, the Re sile is being phased out. The tory to establish an invention	orps item managed 990 and late 1992 970 has inventor 9 (Nov. 1992) by 180 tem managers ar 98 deye item managers he Army has not	gers began , respectively. ried its missiles serial number. re working on ger is not conducted a
Storage Site Records Are Inaccurate	quantities and se Of the 78 missile accurate records finished our inve they had located	v records at the storage sit rial numbers and problem sites we visited, 31—or 4 of their on-hand inventor ntory at one storage site, 70 more missiles in anoth hat had inaccurate quanti	ns with national a 0 percent—did r ries. For example personnel called ner magazine. Ta	stock numbers. not have e, after we had l to tell us that ble 2 shows the
Table 2: Inaccurate Quantities at         Missile Storage Sites	<b>Missile</b> Stinger	Sites storing missile 44	Sites with inaccurate quantities	Percent of sites with inaccurate quantities 41

Note: Some of the 78 sites store only one type of missile; others store more than one type.

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"We did not include missiles on ships at sea.

We found either more or fewer missiles than records indicated were on hand at 31 different sites. The differences ranged from one missile at several sites to hundreds at other sites (see table 3).

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30

21

Dragon

Redeve

#### Table 3: Variances at Sites With Inaccurate Records

Site	Missile	Variance
A	Dragon	423
В	Stinger	77
С	Dragon	1
D	Dragon	158
E F	Stinger	10
F	Stinger Redeye	35
G	Stinger	1
Н	Stinger Dragon	<u>598</u>
I	Stinger	1
J	Stinger	2
ĸ	Stinger Dragon Redeye	8 1 1
L	Dragon Redeye	72 2
M	Stinger	10
N	Dragon	5
0	Stinger	41
P	Stinger	142
Q	Stinger	142
R	Stinger Dragon	70 22
S	Dragon	9
Т	Redeye	49
U	Dragon	1
v	Stinger Dragon	63 42
W	Redeye	4
x	Stinger Dragon Redeye	83 50 4
Y	Dragon	90
Z.	Dragon	3
AA	Dragon	2
BB	Stinger Dragon	10 1
CC	Stinger	1
DD	Dragon	4
EE	Stinger Dragon	18 62

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	We did not attempt to reconcile the differences with inventory personnel, and the differences may result from record-keeping problems. The possibility of undetected loss, however, remains.
	Although most of the missile containers we examined showed serial numbers, national stock numbers, and the Defense Department identification codes, as required by regulation, we found duplicate, missing, or illegible serial numbers as well as other problems at many of the locations we visited. Other serial number problems found at many locations were
	<ul> <li>bar codes but no stenciled serial numbers;</li> <li>stenciled serial numbers that were not legible;</li> <li>bar codes that did not match the stenciled serial numbers;</li> <li>two different stenciled serial numbers;</li> <li>serial numbers handwritten in chalk;</li> <li>serial numbers written on paper tags; and</li> <li>no identification because the tags or bar codes had fallen off, or the serial numbers written in chalk had been partially or completely erased.</li> </ul>
	Confusion over which national stock number is assigned to a missile configuration <sup>2</sup> also resulted in some units dropping missiles from their reports. Missiles were also dropped from inventory records when parts were removed for testing, maintenance, or inspection, increasing the possibility of errors and resulting in loss of oversight.
Missile and Launcher Tube Missing From Container	At each location we visited, we opened about 1 percent of the missile containers to see if a missile was enclosed. We found that (1) one missile was missing from its container, (2) one missile was missing its launcher tube, and (3) some containers had serial numbers that did not match the enclosed missiles. Depot personnel believed the missing missile had been destroyed, but they had no documentation to support their belief. They also said the missing launcher tube had been sent to a testing facility. They could not explain the mismatches in serial numbers. When we pointed out a mismatch at one location, a maintenance man quickly spray-painted the serial number on the container to match the number on the missile inside. No one verified, however, whether the changed serial number matched another live missile.

<sup>&</sup>lt;sup>2</sup>The national stock number identifies the missiles' configuration. The Stinger has 22 different national stock numbers.

Security Controls Are Not Uniformly Observed	Although most of the missile storage sites we visited provided adequate barriers to outside intrusion, some had not implemented required security measures. For example, several sites used only one key to open a missile magazine, although two keys controlled by separate individuals are required for each magazine. Other sites had no fence surrounding the magazine area, even though fencing topped with barbed or razor wire is required. At still others, the alarm systems did not work. In addition, some missiles packaged for rapid deployment were stored on flatbed trucks or trailers parked in secured areas, while others were stored in magazines. Missiles undergoing environmental testing were also stored outside. Category I missiles are required to be in a magazine controlled by a guard or locked and monitored by a video camera, and the magazines must have alarms that can be deactivated before entering. According to service officials, some of these exceptions were covered by waivers.		
	Security regulations and procedures directed at employee theft were not uniformly applied at all locations. Security guards routinely and thoroughly inspected unfamiliar vehicles entering or leaving the ammunition area. They checked for appropriate identification, opened trunks, and looked in the back seat and under the vehicle. Security guards, however, do not routinely inspect all vehicles entering or leaving ammunition storage areas. Guards are only required to conduct spot checks based on guidance provided by the local commander. At one missile storage location, we witnessed a spot check where a guard found and removed two new boxes of small arms ammunition that was hidden in a trash truck. The guard permitted the driver to pass through the gate without questioning and did not file an incident report but did make an appropriate notation in his log. Not all trash trucks or other vehicles that could easily conceal missiles are inspected when leaving an ammunition storage area. We previously reported that military inventories remain more vulnerable to employee theft than to outsider intrusion. <sup>3</sup>		
Alleged Thefts of Category I Missiles	According to law enforcement officials, thefts of missiles from the Defense Department inventories have been alleged numerous times over the years. Allegations are examined for merit and investigated when warranted. By agreement, the Defense Department is to notify the Bureau of Alcohol, Tobacco, and Firearms within 72 hours of the confirmed loss of a missile. According to Bureau officials, the Department has never reported such a		

<sup>&</sup>lt;sup>3</sup>Inventory Management: Strengthened Controls Needed to Detect and Deter Small Arms Parts Thefts (GAO/NSIAD-91-166, July 17, 1992) and Small Arms Parts: Poor Controls Invite Widespread Theft (GAO/NSIAD-94-21, Nov. 18, 1993).

	loss. In addition, other law enforcement agency officials said that they had no data on confirmed thefts.
	We tried to follow an allegation (Apr. 1992) made regarding the theft of Stinger missiles from an Army storage depot. According to the Bureau, an informant said that nine Stinger missiles were going to be diverted/stolen and had been moved to a location that would facilitate their easy removal from the depot. The informant also indicated that as many as 20 other Stingers had been diverted/stolen in this manner. The Bureau immediately provided this information to the Defense Department, and an Army investigator found the missiles in the location identified by the informant. When we asked about the results of the investigation, Department officials said that they vaguely remembered the incident and that inventory personnel had plausibly explained why the missiles were in that location and had confirmed that no missiles were missing. The Defense Department, however, could not provide any investigative documents to confirm that an investigation actually took place.
	Inventory personnel told us that the Defense Department does not normally conduct independent inventories of its missiles every time an allegation is made because it would be too costly and time-consuming. Further, missile containers are not opened during inventory to ensure that they contain missiles.
Recommendations	We recommend that the Secretary of Defense direct the Secretaries of the Army, the Navy, and the Air Force to
	<ul> <li>authorize Category I missile oversight organizations to enforce missile reporting requirements and to conduct unscheduled independent inventories at depot, post, base, or unit level missile storage sites;</li> <li>conduct independent worldwide inventories of Category I missiles by serial number to establish an accurate baseline of existing missiles;</li> <li>establish procedures to track, document, and report additions to and deletions from these new inventory baselines;</li> <li>establish procedures to include a random sampling of missile containers during inventories to ensure that they contain missiles;</li> <li>reemphasize employee security procedures so that they are consistently and uniformly applied to all individuals entering and leaving missile storage areas; and</li> </ul>

	<ul> <li>reexamine the current security policy that permits less than full inspection of vehicles, such as trash trucks, that could easily conceal missiles when leaving ammunition storage areas.</li> </ul>
Agency Comments and Our Evaluation	The Defense Department generally agreed with our findings and accepted our recommendations. The Department recognizes that improvements are needed in serial number controls of Category I missiles and agreed to strengthen inventory accountability by (1) reviewing guidance to make inventory management among oversight organizations as uniform as practicable; (2) completing a serial number inventory of Stinger, Dragon, and Redeye missiles; (3) maintaining a permanent record to account for missile ownership and use by serial number; (4) opening a sample of missile containers during inventories; and (5) reemphasizing policies for controlling access to missile storage areas and the deterrent value of consistent screening of vehicles entering and leaving storage areas.
	The Defense Department stated that it can reconcile its missile quantity balances because it has maintained positive control of missile quantities. It also emphasizes that neither GAO nor any other investigative source has confirmed that any lapses in control have lead to theft or unexplained loss of Category I missiles. We continue to believe, however, that the Defense Department does not know how many Category I missiles of each type it should have in inventory. Therefore, it cannot be certain that a reconciliation of missile quantities includes all the missiles it should. Without such information, the possibility exists that missiles could be missing. Furthermore, the fact that we found a missile and parts of a missile missing from their containers should heighten concerns over the vulnerability of the missile inventory system. Further, item managers and some inventory managers were unable to provide accurate information regarding missile quantities and locations.
	The Defense Department took exception to our portrayal of its handling of an allegation regarding the theft of Stinger missiles. It said it completed an appropriate investigation and conducted a 100-percent inventory of Stinger missiles at the depot. The Defense Department could not provide details of the investigation or documentation that an inventory had been conducted at the time of the allegation.
	The Department's detailed comments are included in appendix II.

Scope and Methodology	We inventoried Category I missiles at all Defense Department storage locations worldwide. These missiles were stored in 78 locations in the United States and at U.S. bases in Europe, Asia, and South America. Details of how we conducted our inventories are included in appendix I.		
	We also met with Army, Marine Corps, and Navy officials involved in controlling Category I missiles to discuss each service's management process. We excluded the Air Force because it had purchased few Category I missiles. We also met with intelligence and law enforcement officials to discuss terrorist or criminal demand for Category I missiles and to identify any known diversions of the missiles from Defense Department or other inventories.		
	Unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its issue date. At that time, we will send copies to the Chairmen of the House and Senate Committees on Armed Services; the Secretaries of Defense, the Army, the Navy, and the Air Force; the Commandant of the Marine Corps; and other interested parties. Copies will also be made available to others on request.		
	This report was prepared under the direction of Donna M. Heivilin, Director, Defense Management and NASA Issues, who may be reached on (202) 512-8412 if you or your staff have any questions. Major contributors to this report were Nomi R. Taslitt, William K. Newman, and Yolanda C. Elserwy.		
	Sincerely yours,		
	Fronk C. Consban		
	Frank C. Conahan Assistant Comptroller General		

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GAO/NSIAD-94-100 Inventory Management

### Appendix I Scope and Methodology

To determine whether Category I missiles are adequately controlled and accounted for, we physically inventoried the Stinger, the Redeye, and the Dragon missiles, by serial number, at all Defense Department storage locations worldwide. Category I missiles located at sea or in other locations were inventoried, at our request, by the military services. We did not attempt to inventory the missiles that were sold or transferred to foreign governments.

We inventoried all identified storage locations in the continental United States between May and October 1992. We then inventoried missiles at all identified foreign locations, including Europe, Asia, and Latin America, completing our inventory in April 1993. We completed reconciliation of the data in March 1994.

Each service gave us a list showing where each type of missile was stored and how many were stored at each location. The services notified each location of our inventory plans well in advance of our visits. Before our visits, we also directly notified storage location personnel of the dates of our planned inventory. At each site, we

(1) asked the storage manager to identify all locations where Stinger, Dragon, or Redeye missiles were stored;

(2) inventoried all Stinger, Dragon, or Redeye missiles found in the locations identified by the storage manager;

(3) hand recorded the serial number imprinted on each missile container or, if the serial number was missing or hidden, recorded the serial number found on the bar code, the pallet card, or a paper tag;

(4) opened about 1 percent of the missile containers to ensure that they contained a missile and that the missile and container serial numbers matched;

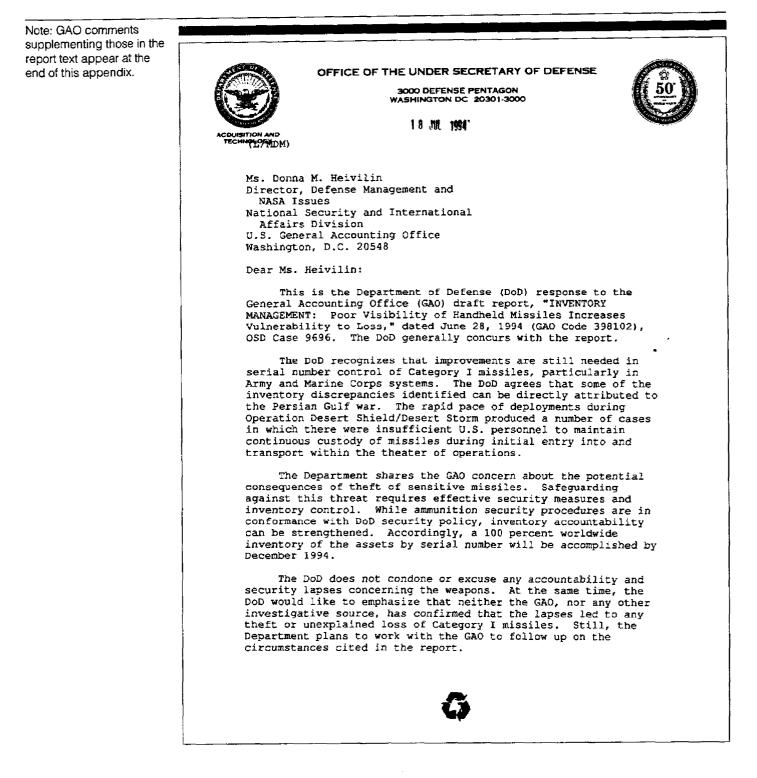
(5) observed the physical security provided Category I missiles at each location; and

(6) asked storage managers to provide a list of the serial numbers of all the missiles stored at the facility during our visit and a list of the serial numbers of missiles received during the 3 months following our inventory.

Appendix I Scope and Methodology

We conducted our review from May 1992 to March 1994 in accordance with generally accepted government auditing standards.

# Comments From the Department of Defense



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. The detailed DoD comments on the draft GAO report findings and recommendations are provided in the enclosure. The DoD appreciates the opportunity to comment on the draft report. Sincerely, James R. Klugh Deputy Under Secretary of Defense (Logistics) Enclosure

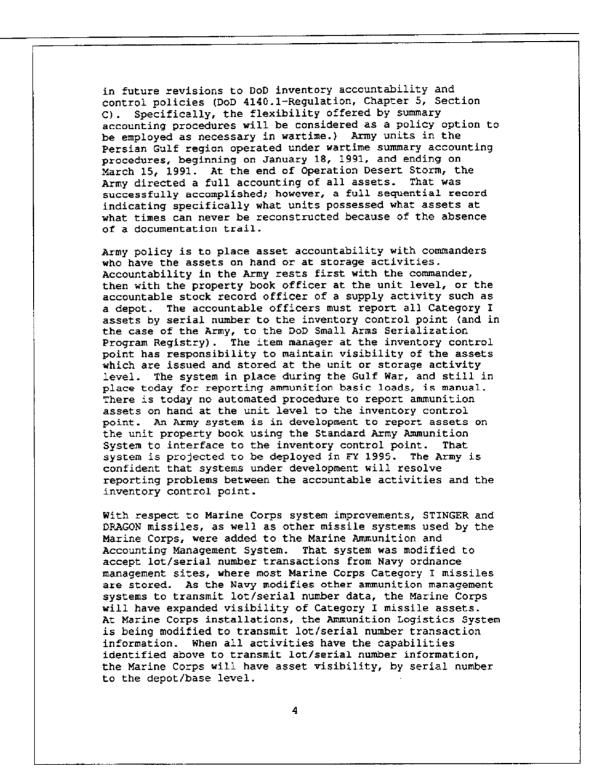
	GAO DRAFT REPORTDATED JUNE 28, 1994 (GAO CODE 398102) OSD CASE 9696
	"INVENTORY MANAGEMENT: POOR VISIBILITY OF HANDHELD
	MISSILES INCREASES VULNERABILITY TO LOSS"
	DEPARTMENT OF DEFENSE COMMENTS
4	* * * * *
	FINDINGS
	• FINDING A: Category I Missiles-the STINGER, the REDEVE, and
	the DRAGON. The GAO reported that, since 1970, several
	hundred thousand Category I missiles had been produced and
	issued to the Military Services. The GAO further reported
	that thousands were sold to other nations through the Foreign
2 	Military Sales Program. The GAO pointed out that the STINGER, REDEYE, and the DRAGON are in demand by terrorists.
	insurgents, and drug dealers. The GAO focused its review on
	the Army and the Marine Corps-the primary purchasers of
	Category I missiles.
	The GAO observed that, in 1991, the Inspector General, DoD,
	inventoried 60 percent of the Army and Marine Corps STINGER
	missiles. The GAO noted that the Inspector General report
	could not account for 188 missiles and concluded that the Army
	and Marine Corps inventory records were inaccurate and
	reporting procedures were ineffective. The GAO noted the Inspector General further concluded that the inventory
	variances were likely to be the result of paperwork problems.
1-3.	(pp. 1-3/GAO Draft Report)
	DoD RESPONSE: Concur. Although the GAO review focused on
	Army and Marine Corps-owned missiles, Air Force and Navy
	operations were also examined by the GAO. The Department
	understands that the GAO found positive inventory and security
	controls over missiles owned by the Air Force and Navy, and therefore minimized further review of those assets.
	The Department has taken action on all the recommendations of
	the 1991 Inspector General Report and considers those actions
	final. The Army and the Marine Corps have substantiated that
	all missiles are properly accounted for and no missiles are
	missing. Actions to correct the systemic problems highlighted
	by the GAO are underway.
	ENCLOSURE
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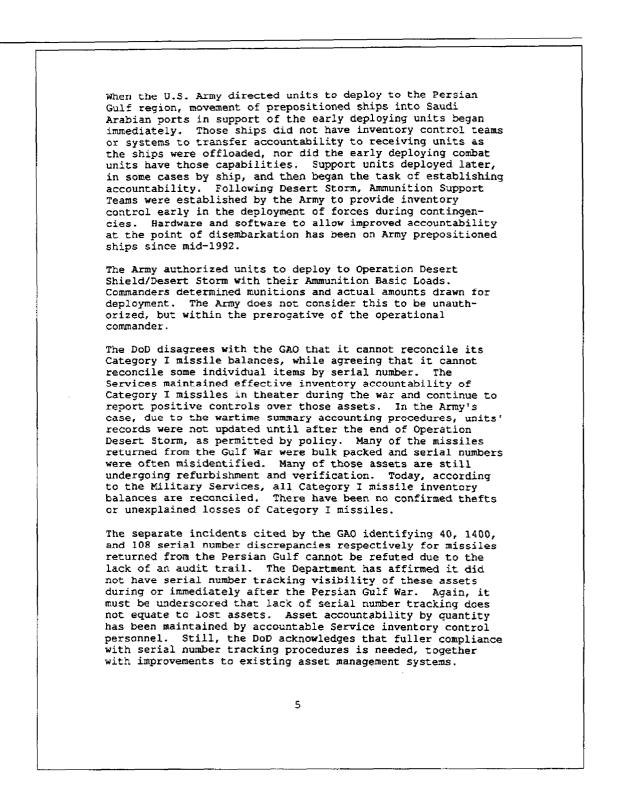
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<ul> <li>That some missile inventory problems could be traced to the Persian Gulf War. The GAO reported that, although the Army item managers had knowledge of Army missiles within the wholesale system and could direct wholesale shipments to the Persian Gulf, they either lacked or believed they had inaccurate information on missiles that were shipped at the units deployed to the Gulf with more than authorized levels of ammunition, including Category I missiles. The GAO was advised that several units disposed of inventory records before deployment to the Gulf. The GAO acknowledged that the Marine Corps knew how many missiles were sent to the Gulf because it sent all it had.</li> <li>The GAO also learned that, in the Persian Gulf, the combatant commander relaxed administrative requirements, as permitted by regulation, so that weapons could be quickly provided to support military operations. The GAO net that, according to Army officials, at the entry port, combat units took what they wanted. The GAO further noted that missiles were transported unguarded on trucks driven by third country nationals and ammunition sites were wide open. The GAO reported that, according to one Army official, due to the lack of accountability, it would be "pure luck" if no missiles were lost.</li> <li>The GAO also found that units received the appropriate number of missiles, and Marine guards accompanied each wehicle carrying missiles. The GAO found that although some units signed for their missiles, particularly STINGERS, others did not. The GAO iso found that, to expedite the troops return to the United States at the end of the war, units were allowed to turn in weapons, ammunition, and equipment without documentation.</li> <li>The GAO found that, despite the described lack of accountability, the Army officials is were missing. The GAO reported that missiles were shipped to the Gulf and the same number of missiles were returned. The GAO found the same number of missiles were returned from the Persian Gulf with reported compatibies sent</li></ul>	FINDING B: Past Problems Have Been Reported and Services
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	missiles sent with those returned, from the Persian Gulf, but
1	could not reconcile by serial number. While the GAO counts
	matched, a comparison of their serial numbers showed that 40
	of the missiles sent to the Gulf were not returned to the
	depot, to other Army locations, or to the other Services. The
1	GAO asserted that the Army does not know where those missiles
1	are. In addition, the GAO found that the Army could not
	determine ownership for 1,400 of the missiles returned because
	it did not have serial numbers for all the missiles sent to
	the Gulf. The GAO noted that, although a list of the serial
	numbers was provided to all Army units and to the other
	Services, none of the missiles were claimed. The GAO pointed
	out that the Army reconciliation also does not include 108
	missiles taken by a unit to the Persian Gulf against
	instructions and, therefore not recorded as having been sent
	to the Gulf. The GAO noted that the Army reconciliation does
	not account for a STINGER missile that was destroyed in
	theater after being damaged during transport.
	With respect to the Marines, the COL and adding that the
	With respect to the Marines, the GAO was advised that the
	Marine Corps shipped 3,754 STINGER missiles and 7,485 DRAGON
	missiles to the Persian Gulf and all were returned except for
1	7 STINGERS and 160 DRAGONS reportedly fired during the war.
	The GAO concluded, however, that the Marine Corps cannot be
	certain that all unfired missiles were returned because it did
1	not compare the serial numbers of missiles shipped with those
	returned. Furthermore, the GAO found that the Army
	reconciliation included a missile that was also claimed by the
	Marine Corps. (pp. 4-7/GAO Draft Report)
	DoD RESPONSE: Partially concur. The GAO identified two valid
	weaknesses in controls. First, there was inadequate serial
	number control at all echelons within Army and Marine Corps
	management systems (see below for description of pending
	improvements). Second, during Operation Desert Shield/Desert
	Storm, the rapid pace of deployments produced a number of
	cases in which there were insufficient U.S. personnel to
	maintain continuous custody of missiles during transport and
	initial entry into the theater of operations. The DoD
	acknowledges those weaknesses and the need to correct their causes. However they occurred, and as serious as they might
	be, periodic lapses in custody during Operation Desert Storm
	have not been connected to any actual losses of missiles.
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	be normitted by Army vertime policy (Army Provide) - 710 p
	As permitted by Army wartime policy (Army Regulation 710-2,
	Inventory Management Supply Policy Below the Wholesale Level),
	full accountability was waived in favor of summary
	accountability, which is defined as grouping transactions
	together for a specific time or activity, and then posting
	only net results or a summary of transactions to accounting
	records. (Wartime inventory control, while not currently
	addressed in DoD materiel management policy, will be examined
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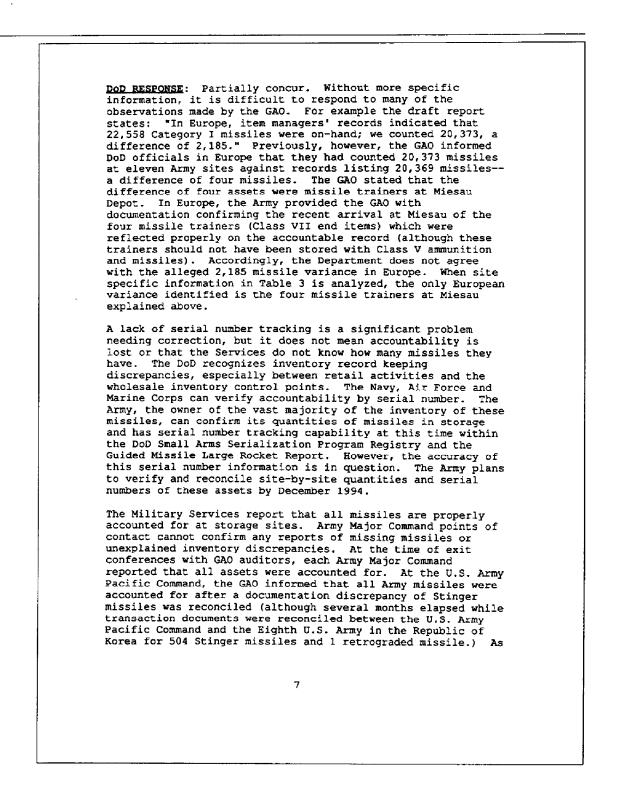
Now on pp. 4-5.



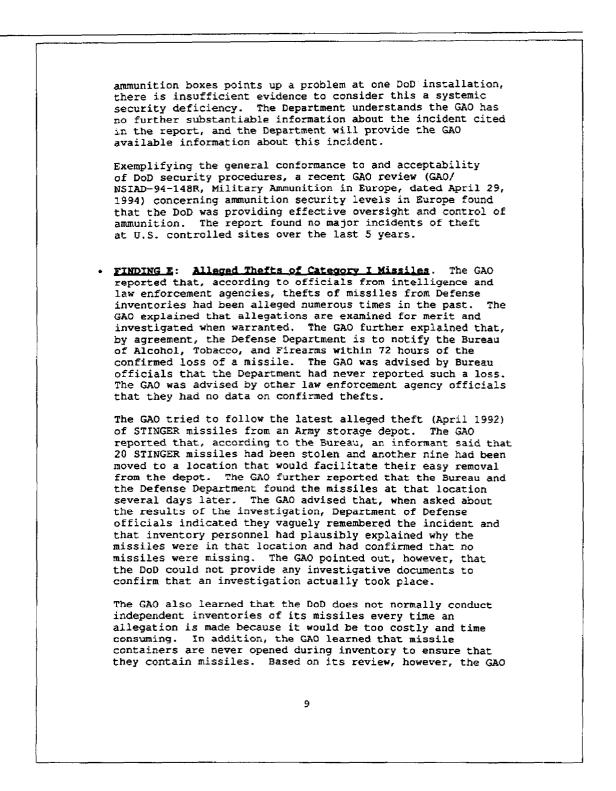


	Aggressive efforts are being taken by the Services to control Category I missiles by serial number, as previously
	recommended by the Inspector General, DoD, and as recommended by the GAO.
•	FINDING C: The Services Do Not Know How Many Missiles They Should Have. The GAO found that it was impossible to determine accurately how many missiles are missing at the item manager or storage level because the Services did not establish effective procedures to determine what should be in inventory. The GAO found that the Military Services had not assigned oversight responsibility for each type of Category I missile to a single individual or organization. The GAO pointed out that the Army and Marine Corps item managers are neither authorized to conduct inventories to confirm reported missile counts, nor can they direct units to meet monthly reporting requirementsalthough the Navy item manager does
	have such authority. The GAO noted that, as a result, some units fail to report or inaccurately report missile inventories. For example, the GAO observed that the record of an Army item manager at one major depot showed 7,370 missiles in inventory; however, the GAO counted 12,423 missiles.
	The GAO stated that the Military Services recognize that Category I missiles must be controlled by serial number. For example, the GAO reported that the Navy and Marine Corps item managers began controlling missiles by serial number in 1990 and late 1992, respectively. The GAO noted that, although the Army STINGER and DRAGON item managers were working to obtain control by serial number, the REDEYE item manager was not because the missile is being phased out. In addition, the GAO pointed out that the Army had not made a worldwide inventory to establish an inventory baseline.
	The GAO found that the missile inventory records at the storage sites contained discrepancies in quantities and serial numbers and problems with national stock numbers. The GAO pointed out that of the 78 missiles sites it visited, 32 (or 41 percent) did not have accurate records of their on hand inventories. While most of the missile containers examined showed serial numbers, national stock numbers, and the DoD identification codesas required by regulation, the GAO also found duplicate, missing, or illegible serial numbers, as well as other problems at many of the locations visited. In addition, the GAO found at one location, a missile missing from its container, one missing from its launcher tube, and some containers with serial numbers that did not match. The GAO did not attempt to reconcile the differences found at each of the above sites; consequently, the differences may be the result of record keeping problems. The GAO noted the possibility of undetected loss, however,
	remains. (pp. 7-15/GAO Draft Report)

Now on pp. 5-9.



discussed previously, during the exit conference in Europe, the GAO stated that they had counted 20,373 missiles at eleven Army sites against records listing 20,369 missiles. The GAO confirmed in its outbrief that the difference of four assets were missile trainers at Miesau Depot, accounted for by the Army as end items, not Category I missiles. FINDING D: Security Controls Are Not Uniformly Observed The GAO reported that most of the missile storage sites it visited provided adequate barriers to outside intrusion; however, some had not implemented required security measures. The GAO stated that, according to Service officials, all of the exceptions were covered by waivers. The GAO pointed out that although security guards were observed routinely and thoroughly inspecting unfamiliar vehicles entering or leaving the ammunition area, the guards do not routinely inspect all vehicles entering or leaving ammunition storage areas. The GAO noted that guards are only required to conduct spot checks based on guidance provided by the local commander. For See comment 1. example, at one location the GAO observed a spot check where a guard found and removed two new boxes of small arms ammunition that were hidden in a [military] trash truck. The GAO explained that the guard took possession of the boxes and then permitted the truck to exit the area. (The GAO referenced previous reports in which it concluded that military inventories remain more vulnerable to employee theft than to outsider intrusion--OSD Cases 8705 and 9567.) In summary, the GAO concluded that security controls are not being uniformly observed at the missile storage sites. (pp. 15-16/GAO Draft Report) Now on p. 10. DOD RESPONSE: Concur. Security standards for Category I missiles, as well as other munitions, are prescribed by DoD Manual 5100.76-M, Physical Security of Sensitive Conventional Arms, Ammunition and Explosives, dated September 1992. This manual requires that Category I missiles be stored normally in secure magazines with high security locking systems, protected by intrusion detection systems, patrols and response forces. Some variations in procedures and physical security measures may be found locally based on the age of the facility, the DoD Component policy and procedures, and the assessment of the threat by the commander. The DoD security policy requires the inspection of vehicles entering or exiting ammunition storage points. These inspections may be either random or mandatory for all vehicles, with this decision at the commander's discretion. Over four thousand such inspections were conducted in the last six months on Army installations alone. Although the isolated incident of the military ammunition residue truck with 8



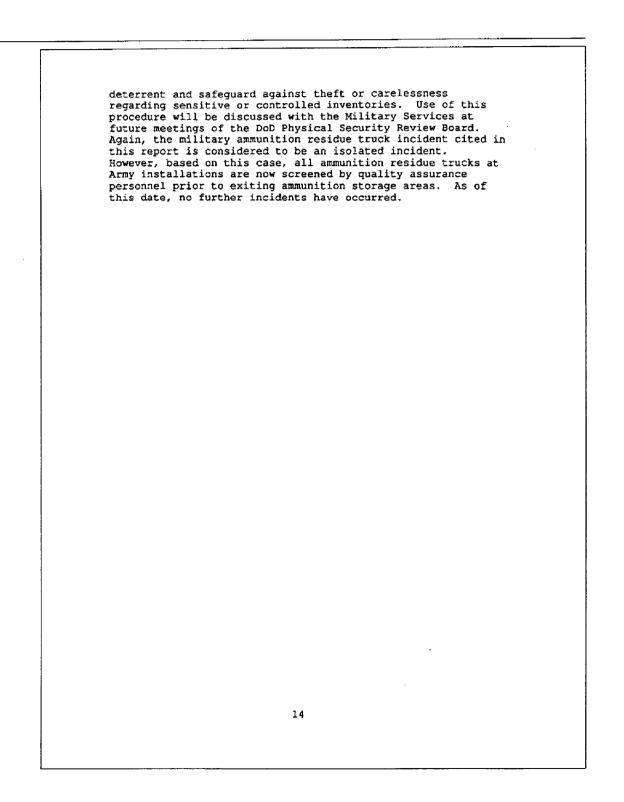
ow on pp. 10-11.	could not confirm that Category I missiles had been stolen. (pp. 16-17/GAO Draft Report)
	DoD_RESPONSE: Partially concur. The Department continues to share the GAO concern about the possibility of theft of sensitive missiles. It is important to underscore that there have been no confirmed thefts reported of Category I missiles addressed in this report. For the period 1990 to May 1994, there has been only one alleged (not substantiated) loss of 6 STINGER missiles. There are no reports on record of any loss, diversion, or theft of DRAGON or REDEYE missiles during this period. Although the Bureau of Alcohol, Tobacco, and Firearms has received reports of theft and offering for sale of Category I items, subsequent investigations have revealed these to be unfounded. The Bureau of Alcohol, Tobacco and Firearms has not reported any recoveries of these munitions.
	The Department takes exception to the implication in the GAO portrayal of negligence and apathy regarding control of STINGER missiles at an Army storage activity. The Department will provide to the GAO the Army Criminal Investigative Division Agent Activity Summary of this incident. The allegation of a diversion of STINGER missiles at an Army depot remains unsubstantiated. On April 21, 1992, the Army Criminal Investigative Division at Red River Army Depot was notified by the Dallas office of the Bureau of Alcohol, Tobacco, and Firearms of the possibility of STINGER missiles being staged for theft at the depot. The Army Criminal Investigative Division found no evidence of criminal activity. A 100% inventory of STINGER missiles at the depot was conducted, and all missiles were accounted for.
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	RECOMMENDATIONS
Now on p. 11.	<ul> <li>RECOMMENDATION 1: The GAO recommended that the Secretary of Defense direct the Secretaries of the Army, the Navy, and the Air Force to (a) assign management oversight respon- sibilities to a central organization within each Military Service and (b) authorize that organization to enforce reporting requirements and to conduct periodic independent inventories of all Category I missiles. (p. 18/GAO Draft Report)</li> <li>DOD RESPONSE: Concur. DoD policy (DoD 4140.1-R) requires</li> </ul>
	items in the DoD supply system to be managed by integrated materiel managers. In accordance with this policy, oversight of Category I missiles is maintained by single points of contact in each Service. The U.S. Army Missile Command is the
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<ul> <li>single manager for some Category I missiles. The other Services designate single points of contact to manage the stocks of Category I missiles owned by that Service. These are: Port Rememe Division, Naval Surface Warfare Center for the Navy, Warner Robins Air Logistics Center for the Air Force; and the Program Manager for Ammunition, Marine Corps Systems Command for the Marine Corps. During Fiscal Year 1995, the DOD will review guidance to make inventory management among these managers as uniform as practicable, given different operating scenarios, storage locations, and other factors among the Services.</li> <li>Concerning inventory reporting requirements and the conduct of inventories, DoD policy states that the integrated materlei manager is responsible for intilating and directing the conduct of physical inventories. The organizational entity having physical custody of the materlei is responsible for the actual conduct of the inventory, accountable for the accuracy of the property record, and required to report inventory adjustments to the integrated materlei mategory. Military Standard Transaction Reporting and Accounting Procedures) further require that most controlled items are subject to annual physical inventory. In the case of Category I nonnuclear missiles and rockets, in accordance with DoD 5100.76-M, the physical inventory of assets in depot, post, or base level storage and monthly inventory of causes.</li> <li><b>MECOMMENDATION 2</b>: The GAO recommended that the Secretary of Defense direct the Secretaries of the Army, the Navy, and the Air Force to conduct independent worldvide inven- tories of Category I missiles by serial number to establish an accurate baseline of existing missiles. (p. 18/GAO Draft Report)</li> <li><b>DO MENDONES</b>: Concur. The Navy, Air Force, and Marine Corps have baselines of Category I nonnuclear missiles. The Army agrees on the need for establishment of an accurate serial number baseline, and will establish a baseline by becember 1994.</li> </ul>		
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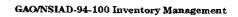
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	<ul> <li>RECOMMENDATION 3: The GAO recommended that the Secretary of Defense direct the Secretaries of the Army, the Navy, and the Air Force to establish procedures to track, document, and report additions to and deletions from the new inventory</li> </ul>
Now on p. 11.	baselines. (p. 18/GAO Draft Report)
	DoD RESPONSE: Concur. The Navy, Air Force, and Marine Corps have existing capabilities to track missile assets. As stated in the previous response, the Army plans to establish its baseline by December, 1994. Moreover, the Army recognizes the need to improve tracking and reporting of missiles and has taken numerous actions to accomplish this. The Army has updated Army Regulation 700-19, <u>U.S. Army Munitions Reporting</u> Systems, merged the Worldwide Ammunition Reporting System and Guided Missile/Large Rocket data bases, and initiated changes to both the Standard Army Ammunition System and the Standard Property Book System. The Army is confident that, when fully fielded and validated, these actions will significantly improve visibility over Category I missiles. However, in view of the sensitivity of the commodity involved, the Army will form and chair a Process Action Team, consisting of Army Major Command representatives and the other Services, to validate the initiatives underway, review in detail the adequacy and completeness of current policy, and identify additional potential enhancements. This Process Action Team will be formed by September 1994.
low on p. 11	• <b>RECOMMENDATION 4</b> : The GAO recommended that the Secretary of Defense direct the Secretaries of the Army, the Navy, and the Air Force to establish procedures to include a random sampling of missile containers during inventories to ensure that the containers hold missiles. (p. 18/GAO Draft Report)
Now on p. 11.	DoD RESPONSE: Concur. The Services ammunition surveillance programs provide a vehicle to accomplish verification of missile container contents, to include serial number verification. Still costs, feasibility, variations in weapon system design, storage duration, and potential degradation of assets must be considered in adopting such a physical inventory sampling approach. The Assistant Deputy Under Secretary of Defense (Materiel and Distribution Management) will coordinate with the Joint Ordnance Commanders Group (Quality Assurance Subgroup) to develop an implementation strategy to accomplish this requirement. This strategy will be developed and promulgated to the Services by September 1994.
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	• <u>RECOMMENDATION 5</u> : The GAO recommended that the Secretary of Defense direct the Secretaries of the Army, the Navy, and the Air Force to reemphasize that security procedures are
Now on p. 11.	consistently and uniformly applied to all individuals entering and leaving missile storage areas. (p. 19/GAO Draft Report)
	DOD RESPONSE: Concur. Consistent access controls for Risk Category I missile storage areas is already a DOD requirement. Specific policy guidance exists now in DoD 5100.76-M, <u>Physical</u> Security of Sensitive Conventional Arms, <u>Ammunition</u> , and <u>Explosives (AA6E)</u> , dated September 16, 1992, stating that security "plans shall address actions to counter theft by military members and civilian employees authorized access. These actions may include: (1) Trustworthiness determination; (2) Internal surveillance; (3) Inspection programs or use of metal detectors at exit control points; and (4) The monitoring of inventory, accountability, and disposal of arms, ammunition, and explosives to minimize opportunities for internal theft and to detect concealed shortages." This manual was issued in September 1992, with a one year implementation goal of September 1993.
	More general DoD guidance to installation commanders on access and circulation controls is provided in DoD Regulation 5200.8-R, <u>DoD Physical Security Program</u> , requiring legally sufficient access control policies including "prescribing procedures for inspecting persons, their property and vehicles at entry and exit points of installations or at designated secure areas within an installation"
	It is the DoD position that this issue is now one of implementation, resourcing, training, and compliance. It should be noted that auditors will continue to see variations in local procedures based on Component's policies, commander's assessment of threat, and state of alert of the unit. This issue will continue be addressed during DoD Physical Security Review Board meetings.
Now on p. 12.	• <b>RECOMMENDATION 6</b> : The GAO recommended that the Secretary of Defense direct the Secretaries of the Army, the Navy, and the Air Force to reexamine the current security policy that permits less than full inspection of vehicles, such as trash trucks, that could easily conceal missiles when leaving ammunition storage areas. (p. 19/GAO Draft Report)
	<b>DOD RESPONSE:</b> Concur. The current DoD physical security policy allows for commanders to use procedures, such as that recommended, when necessary based on local determinations such as the age of the facility and the assessment of the threat. Screening of vehicles will be emphasized as an effective
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	Appendix II Comments From the Department of Defense
	The following is GAO's comment on the Department of Defense's letter dated July 18, 1994.
GAO Comment	1. We made two comparisons for each missile storage location inventoried. We compared the number of missiles found at each storage location with (1) the number of missiles identified on item manager records and (2) the number of missiles identified on storage site records. The two comparisons often produced very different results. Item managers told us there were 2,185 more Stinger, Dragon, and Redeye missiles at Europe's 11 storage sites than we found, and storage site records identified 4 less than we found.



## **Related Products**

Ammunition and Firearms Accountability: 24th Infantry Division and Fort Stewart (Army Audit Agency Report SR 92-8, Jan. 31, 1992).

Special Report on the Review of Redeployment of Personnel, Equipment, and Materiel from Saudi Arabia (Army Audit Agency Report SR 92-309, Aug. 25, 1992).

Controls Over Ammunition and Explosives (DOD/OIG Report 91-119, Sept. 11, 1991).

Review of Ammunition Accountability (Army Audit Agency Report EC-91-711, Sept. 6, 1991).

Ammunition Accountability Audit at Fort Stewart, Georgia (Internal Review Report A1-90, Feb. 4, 1991).

Army Inventory: A Single Supply System Would Enhance Inventory Management and Readiness (GAO/NSIAD-90-53, Jan. 25, 1990).

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