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Accounting and Financial
Management Division

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Major General Barry R. McCaffrey, USA
Division Commander
24th Infantry Division (Mechanized)
Fort Stewart, Georgia 31314-5000

Dear General McCaffrey:

We are conducting a comprehensive review of the U.S. Army's financial systems and operations. Our primary objectives are to assess the Army's systems of internal control and to express an opinion on its financial statements for fiscal year 1991. As part of that review, we are reviewing the accountability over inventory and equipment with the 24th Infantry Division at Fort Stewart.

Although our work is not yet complete, we have identified weaknesses in small arms property controls that warrant your attention. Specifically, the Division did not promptly record all weapons on its property book and did not conduct adequate investigations for four missing rifles. Our purpose in raising these matters now is to stress the need for timely actions to improve management controls in this sensitive area. As appropriate, we will bring other matters to your attention as our work continues.

EQUIPMENT CONTROL REQUIREMENTS

Army Regulation 710-2 and Department of the Army Pamphlet 710-2-1 require that all equipment be recorded on the property records of the using unit. These documents also contain procedures for ensuring accountability for equipment. For weapons, each item is to be recorded on the Division level property book and accounted for by serial number on a hand receipt at units below the Division level. Sensitive items, such as weapons, are required to be inventoried monthly and any discrepancies reported to the property book office.

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If the property book office is unable to resolve the discrepancies, overages are to be reported as property "found on installation" and shortages are to be accounted for using report of survey procedures contained in Army Regulation 735-5. The regulation requires the survey officer to seek out all of the facts that surround the loss of government property. The regulation also requires that an investigation be conducted to determine the cause of any loss.

WEAPONS INVESTIGATION WAS INADEQUATE

We conducted small arms physical inventory counts at 20 of the 24th Infantry Division's arms rooms on July 25 and 29, 1991. During these inventories, Division personnel could not locate four M16 rifles and four .45 caliber semi-automatic pistols recorded on company level hand receipts. The Division property book office later found three of the pistols in the Division. We confirmed that the fourth pistol had been transferred to Anniston Army Depot.

However, Division officials did not satisfactorily resolve the discrepancies relating to the four rifles. Two of the rifles were deleted from the property book based on a report of survey. The Army accounts for such sensitive items by serial number and, although it normally requires documentation as a basis for adding or deleting such items to and from property records, these two serial numbers were deleted during July 1991. No supporting documentation has been located as the basis for this transaction. In his report, the survey officer concluded that the weapons never existed and that the listing of the serial numbers on the hand receipt printout was due to administrative errors. The survey officer stated that his conclusions were based on the following.

- The company armorer stated that the weapons had never been within the company's inventory.
- The company possessed no other weapons with serial numbers beginning with the first three digits assigned to those two rifles.

A more thorough investigation would have shown that the Army's inventory records contain the serial numbers of the weapons under investigation. The Small Arms Serialization Office maintains a list of the locations for each pistol and rifle owned by the Army, by serial number. According to information from this office, which is available to all Army

units, as of November 1991, one weapon was located in Germany and the other at Fort Benning, Georgia. Therefore, we question the accuracy of the survey report's conclusion that the weapons never existed.

An investigation and report of survey were not initiated for the remaining two rifles, rather they were deleted from the property book based on an administrative adjustment report. Army Regulation 710-2 allows the use of an administrative adjustment report to reconcile obvious errors in recording serial numbers, such as transposing numbers or miscopying numbers from an issue document. However, the information recorded in the adjustment report indicated that the weapons were not missing as a result of an administrative error, but rather that the discrepancy resulted from lost paperwork and that the rifles had been turned in at other locations. Therefore, it was inappropriate to delete the weapons from the property book using the administrative adjustment process.

The Small Arms Serialization Office records indicated that one weapon was located in Saudi Arabia and the other at Fort Bragg, North Carolina.

The fact that the four rifles' serial numbers are contained in the Small Arms Serialization Office records indicates the Army had these weapons. Although the accuracy of the locations shown on these records is dependent upon the accuracy of information provided by units transferring or receiving weapons, contacting those locations would have been a logical step in conducting the initial investigation.

WEAPONS RECORD ENTRIES WERE UNTIMELY

Our work also shows that small arms were not always being added to inventory records in accordance with required procedures. Proper recording of small arms is a vital first step to establishing internal control over these items. When small arms are not recorded in the property system, they can be lost or stolen without detection.

During our July 1991 inventory, we found 36 M16A1 rifles, 3 M16A2 rifles, and 1 semi-automatic pistol (.45 caliber) in the Division arms rooms that had not been recorded on the Division property book. These weapons, on hand since at least April 15, 1991, should have been identified during the required monthly reviews of sensitive items and added to the property book. The monthly reviews were performed; however,

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all discrepancies were not identified and required follow-up action was not taken for those that were. For instance, one battalion had recorded 25 of the M16A1 rifles on an informal arms room log. The 40 weapons were added to the Division property book once we brought this matter to the attention of company officials.

Company armorers and supply sergeants advised us that 37 of the 40 weapons had arrived with fill-in soldiers who were temporarily assigned to the Division during Operations Desert Shield/Storm. These soldiers joined the Division between December 1990 and February 1991, and departed between March and April 1991. These weapons continued to be stored in the Division arms rooms even after the soldiers returned to their home units.

The other three unrecorded weapons resulted when weapons were transferred between arms rooms within the Division and were not recorded by the receiving arms room. One unrecorded weapon was transferred in December 1990, another in January 1991. The third weapon was part of a lateral transfer that occurred in August 1990 during predeployment to the Persian Gulf.

Officials from the involved companies stated that these weapons were not added to the property records in a more timely manner because of the following.

- Some transaction records initially rejected were not resubmitted for processing by the property book system.
- Some company hand receipts had not been updated since the Division's return from Operation Desert Storm.
- Many discrepancies were not identified until the June, July, and August 1991 time frame.

In our view, these factors do not relieve these officials of their responsibility to properly record and account for weapons under their control.

CONCLUSIONS AND PROPOSED ACTIONS

Failure to record weapons on property books upon receipt as required precludes maintaining effective accountability and control over small arms. The sensitivity and marketability of items such as weapons makes them very susceptible to

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theft. Moreover, the loss, theft, or misuse of even one weapon can result in tragic consequences.

Accordingly, we suggest that you (1) reopen the report of survey for the two M16s that was closed on August 23, 1991, and (2) initiate a report of survey for the two M16s that were deleted from the Division property book through use of an administrative adjustment report. The surveys should include confirming whether these weapons are at the locations indicated by the Small Arms Serialization Office.

We also suggest that you reemphasize to your battalion commanders the importance of weapons accountability and the need to closely monitor weapons and to comply with the provisions of Army Regulations 710-2 and 735-5 and Department of the Army Pamphlet 710-2-1.

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We have discussed these issues with the Division property book officer and his representatives, the Division Materiel Management Center Commander, the Division Support Command Commander, and the Garrison Commander at the 24th Infantry Division. We would appreciate receiving your comments on these issues within 30 days. We are also sending a copy of this letter to the Commander, Forces Command. If you would like to discuss this matter, please contact me or Mr. Terry Carnahan, Senior Assistant Director, at (202) 275-7095. We look forward to working with you and your staff as our audit continues.

Sincerely yours,



David M. Connor
Director, Defense Financial Audits

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