

093936



UNITED STATES GENERAL ACCOUNTING OFFICE
INTERNATIONAL DIVISION
FAR EAST BRANCH
1833 KALAKAUA AVENUE
HONOLULU, HAWAII 96815

420
GA000200

JAN 18 1973

Lieutenant General W. G. Dolvin
Commanding General
U.S. Army, Japan
APO San Francisco 96343

DLG 04737



Dear General Dolvin:

The Far East Branch has made a survey of cargo security and accountability procedures in Okinawa. The objectives of our survey were to: (1) identify the nature and scope of Department of Defense (DOD) cargo security and documentation programs used to control cargo movement into the port and from the port to its various consignees, (2) identify criteria used to measure the effectiveness of the programs, and (3) identify the scope of the cargo losses in Okinawa. AGC00005

At the Naha Port and other Army activities in Okinawa we examined cargo security and accountability procedures and records, interviewed responsible officials and made selective tests on cargo being received.

This report presents the results of our survey. In general, we found that there were weaknesses in the paperwork system of cargo accountability, but the most glaring problem is the inadequate follow-through to reconcile discrepancies and affix responsibility.

The major areas needing improvement are described below.

BACKGROUND

DLG 01668

The Commander, Military Traffic Management and Terminal Service (MTMTS) is responsible for developing and administering an effective loss and damage prevention program. This responsibility includes compliance with tariffs and regulations concerning loss and damage prevention; training of personnel in prevention procedures and techniques; initiating measures to deter loss and damage; proper documentation and reporting of over, short, astray, damaged freight and other transportation discrepancies. The basic regulation which all organizations follow to effect movement of materiel within the Defense Transportation System is DOD Regulation 4500-32-R, Military Standard Transportation and Movement Procedures (MILSTAMP).

BEST DOCUMENT AVAILABLE

~~742854~~

093936

The overseas area theater commanders are responsible for developing their own loss and damage programs. However, they follow MILSTAMP and the MTMTS-sponsored joint regulation (AR 55-38, NAVSUP PUB 459, AFM 75-34, MCO P4610.19 and DSAR 4500.15), in reporting transportation-type discrepancies.

There has been a change in area theater commanders on Okinawa due to its reversion to Japan on May 15, 1972. Prior to reversion the theater commander was the U.S. Army, Ryukyu Islands (USARYIS) and they delegated to the Directorate for Transportation Operations, Second Logistical Command, a major subordinate command, the responsibility for the security of the cargo at the military port facilities on Okinawa as well as accounting for the materiel. USARYIS was a subcommand of the Commander in Chief, U.S. Army, Pacific. ~~AGCO-455~~ DLG 01983

On the day of reversion both USARYIS and Second Log were inactivated and a new command called the U.S. Army Base Command, Okinawa (USARBCO) was activated. The Second Log became the Logistics directorate in USARBCO. Also, USARBCO became a subcommand of the U.S. Army, Japan. With this change, the physical security at the ports became the responsibility of the Provost Marshal, USARBCO.

Description of port facilities

The Naha Military Port is the largest such facility on Okinawa. During the first 10 months of fiscal year 1972 a monthly average of 131,593 measurement tons of U.S. military cargo were unloaded, which was about 97 percent of all the military cargo discharged in Okinawa. About 52 percent of the military cargo unloaded in Okinawa was materiel being returned from Southeast Asia, primarily Vietnam, commonly referred to as "retrograde."^{1/} During the seven months ending April 1972 about 70 percent of the non-retrograde cargo being received was containerized.

The Naha port is located near the city of Naha on the southwestern coast of Okinawa. The civilian port is located across the ship channel from the military port. The military port area comprises about 62 acres and is surrounded on three sides by a chain-link fence; the fourth side being the ship channel. There is a total of 167,000 square feet of warehouse space within the port area.

^{1/} We did not study security for this cargo because the retrograde program is in its final stages. We understand that accountability for this materiel has been a real problem in the past because much of it was shipped hurriedly without accurate documentation and had to be identified in Okinawa by opening containers and sorting the materiel.

ACCOUNTING FOR MATERIEL
SHIPPED TO OKINAWA

Our review disclosed weaknesses in accounting controls over materiel shipped to Okinawa. We were not able to identify and measure the extent of cargo losses, however, our survey tests indicate discrepancies significant enough to warrant management follow-through. The paperwork system of accountability has some flaws but in our opinion the most glaring problem is inadequate follow-through to reconcile discrepancies and affix responsibility.

The major areas where further attention are needed are:

1. Discrepancies between amounts received and allegedly sent by ports to customers and amounts receipted for by customers. Our review of cargo delivered on three ships showed all or portions of 240 items, or 15 percent of those tested, as not having been receipted for by customers. There was no follow-through being performed to analyze reasons for these discrepancies. (See pages 3 and 4.)
2. Inadequate control over documents that could be used to take cargo from ports and inadequate verification of authenticity of signatures of consignees. (See page 4.)
3. Lack of effort by the Army depot to trace overdue orders for materiel allegedly shipped but not received. For example, they simply wiped about \$700,000 in dues-in off the books without tracing reasons for non-receipt. Errors in paperwork may explain some of the discrepancies but the fact remains that management does not follow-through as it should. (See pages 4 to 7.)

Cargo discharged, but not
delivered to the customer

All cargo deliveries made by the port to customers should be shown on delivery tallies prepared by port personnel. These tallies should be signed by the customer and returned to the port as evidence of receipt. A signed receipt should be obtained for all materiel discharged at the port and delivered to customers and all significant discrepancies should be investigated by management.

We reviewed the deliveries from three ships that discharged cargo during January and February 1972 and found that all or portions of 240 line items--or 15 percent of the total line items discharged--were not accounted for by a signed delivery tally. None of these shortages were reported to management and, therefore, were not investigated. Port procedures did not require a reconciliation between cargo discharged and delivered. We were told by Army officials at the exit conference that this reconciliation will be required in the future.

Flaws in the paperwork
system of accountability

The reliability of signed receipts as evidence of delivery is questionable in Okinawa since the port does not check the validity of signatures on the delivery tally. Army personnel at the port told us that they periodically send out copies of signed receipts to the customers for verification; however, they were not able to show us the results. One of these officials stated that the responses from the customers he has seen showed that the cargo had always been received.

Another problem involves control of documents. Although Army port regulations require an accounting for all documents used to record discharges and deliveries of cargo, a considerable number of these documents are unaccounted for and, therefore, could be used to take cargo from the port illegally.

Each discharge and delivery tally is prenumbered and is supposed to be recorded in a control log. Our review disclosed that this procedure was not being followed. Our test of 2800 discharge and delivery tallies issued in January 1972 disclosed that for 269 (or 10 percent of the total) the column showing disposition was blank. We also found that 107 tallies, or about 4 percent, were shown as voided in the log; however, this was not independently verified by the Chief of the Section as required by their own procedures. Also, we checked 288 preprinted tallies for vans being discharged from the SS Pittsburgh, voyage number P-1030, we found that only 14 showed final disposition.

Lack of follow-through
on overdue orders

Perhaps the best way to check for missing cargo is for customers who have ordered materiel to complain if it is not received.

DOCUMENT AVAILABLE

We, therefore, checked the principal customer on Okinawa, the Army Depot, to see whether they had dues-in for which they had received a shipping status but not the materiel. We found that this situation existed in that a significant amount of materiel allegedly had been shipped but not received although ample delivery time had elapsed.

Rather than checking to see what had happened, the Depot simply wiped the dues-in off the books without analysis. This action effectively forecloses their ability to see whether the materiel is lost and to pinpoint responsibility.

U.S. Army, Pacific (USARPAC) supply procedures provide for the identification of overdue shipments automatically through the computer. The priority of the requisition dictates what criteria the computer will use to determine if the requisition is overdue. On those requisitions that are determined to be overdue, the people responsible for receiving the materiel are supposed to be contacted to determine if they still show the item as due in. If they do, and it is not a parcel post shipment, a tracer (TM-1 card) should be sent through the transportation system by the computer. If the shipment cannot be located and the normal order-ship time is exceeded (actual ship date reported by the CONUS supply activity plus normal order-ship time is equal or exceeds the current date), the due-in is supposed to be reversed and identified as a "lost shipment."

Our review disclosed that the above procedures have not been followed in Okinawa. We were told by an Army supply official that they have not been followed on a systematic basis for at least two years because they were getting a poor response from the receiving activity. Also, we were told by Army computer personnel in Okinawa that the computer programs that were necessary to perform tracer action through the transportation system had not been provided by USARPAC. We found that this tracer action could be done manually; however, an Army official told us the volume of these overdue shipments would make this impractical.

Nonetheless, before we left Okinawa the Army started submitting overdue requisitions to the receiving branch for verification. Also, USARPAC officials told us that they hoped to have the computer programs necessary for the performance of the transportation tracer actions in operation in November 1972.

BEST DOCUMENT AVAILABLE

We were told by supply officials that the procedure actually followed in Okinawa was to periodically have a mass reversal of overage dues-in. The latest reversal took place January-April 1972 when a total of 2,389 dues-in valued at \$697,042 were reversed. These were classified as "lost shipments." The criteria used to reverse these dues-in was (1) the shipped date was over 89 days for priority 1-8 requisitions and (2) the shipped date was over 179 days for priority 9-15 requisitions. The Army did not have information as to the date of prior reversals or the results.

Currently, there are a significant number of shipments of materiel that are "overdue." As of August 30, 1972 a total of about \$41.7 million in materiel was due in to the Okinawan Army depots or to their customers where Okinawa had been notified by the CONUS supply source that the materiel had been shipped, but it was not recorded as a receipt on the stock records. Our analysis of the due-in file showed that for the greatest portion of these, the shipped date was over 120 days past. The following table shows shipments to the depots or their customers totaling \$100,000 or more in any one of the time periods:

<u>Location of requisitioner</u>	<u>No. of days since shipments were made</u>					<u>Total</u>
	<u>0-30</u>	<u>31-60</u>	<u>61-90</u>	<u>91-120</u>	<u>121 or more</u>	
	----- (millions) -----					
<u>Vietnam</u>						
Military Assistance Program	\$2.4	\$1.3	\$.5	\$1.0	\$15.2	\$20.4
U.S. Agency for International Development	.2	.1	.3	.3	--	.9
U.S. Army	.3	.2	--	--	.1	.6
<u>Okinawa</u>						
U.S. Army Depot	3.1	4.2	2.6	1.3	6.8	18.0
Other U.S. Army Customers	.3	.2	.2	--	.2	.9
<u>Thailand</u>						
U.S. Army	.1	--	--	--	.2	.3
<u>Korea</u>						
Military Assistance Program	--	--	--	--	.2	.2
Total	<u>\$6.4</u>	<u>\$6.0</u>	<u>\$3.6</u>	<u>\$2.6</u>	<u>\$22.7</u>	<u>\$41.3</u>

We do not know what percentage of these shipments have actually been received, lost in shipment or pilfered.

It appears that not all of these "lost shipments" represent physical loss. Once the Army Depot in Okinawa started checking with their receiving branch, they discovered that a considerable number had been received but for one reason or another the receipt document had not been processed. Of the first 251 requisitions checked, 106 or 42 percent were found to have been partially or fully received. If this is representative, then it would appear that a considerable number of those requisitions were erroneously classified as "lost."

PHYSICAL SECURITY AT
NAHA MILITARY PORT

A recent survey by the Criminal Investigation Division (CID) disclosed 16 discrepancies in physical security at the Naha Military Port. Nine of the 16 discrepancies had not been evaluated and corrected at the conclusion of our survey.

Prior to reversion of Okinawa, physical security of the port was the responsibility of the Directorate for Transportation Operations, Second Logistical Command. We found no record of this Command making assessments of physical security prior to reversion.

The Provost Marshal, USARBCO, is currently responsible for physical security of the port. During the period April 26 to May 12, 1972, the CID performed what appears to be the first crime prevention survey of the port. The CID survey disclosed the following weaknesses:

1. Adequate records were not being maintained on suspected larcenies and pilferages when boxes were found opened or broken, nor were they being reported to the military police.
2. Privately owned and military vehicles were being allowed to enter and exit the port facility without being checked for unauthorized U.S. Government property.
3. There was no positive system for identifying visitors, vendors, contract personnel or employees.
4. The loads of cargo were not being properly checked against transportation control and movement documents (TCMDs) prior to leaving the port.

BEST DOCUMENT AVAILABLE

5. The port had an unsatisfactory parking control system allowing employees and visitors to park their vehicles throughout the port area.
6. Control over port vehicle stickers was inadequate.
7. Adequate protective measures were not being afforded to open storage.
8. Materiel was not being properly stacked and no clear zones were being maintained around the perimeter fence.
9. Critical and high-value items were not being received and stored properly, i.e., they were being received from the ships and stacked on the docks instead of being placed in the security area.
10. No key control system was in effect.
11. The area designated for holding privately owned vehicles being received or shipped from Okinawa was not being properly secured.
12. Access to the area where security cargo was stored was not being properly controlled.
13. Trash trucks were permitted free access to the port area.
14. Security along the waterfront was inadequate. A harbor patrol should be established. If this was not feasible, then guard towers strategically located along the waterfront should be erected.
15. There was no security provided, when ships are being loaded or off-loaded, to prevent merchant seamen from pilfering items off the dock and taking these items back aboard.
16. The present physical security plan was incomplete and outdated.

At the time of our review corrective action was being taken on seven of the above security inadequacies at the port as follows: (1) the port physical security plan was being updated, (2) the local national guard force was being augmented with American military guards,

DOCUMENT AVAILABLE

(3) a color-coded badge system was initiated, (4) guard posts were being moved from ground level to towers, (5) the use of civilian vehicles in the port area was being curtailed, (6) new cargo clearance procedures were being introduced, and (7) new controls were being instituted over port vehicle stickers. We were told by Provost Marshal officials that the other discrepancies noted by the CID were still under review.

Provost Marshal officials advised us that they are required to conduct a crime prevention survey and a physical security survey of the port annually.

The Provost Marshal and CID officials we contacted on Okinawa did not consider the port to be a problem area where significant pilferages occur. These officials feel instead that they have a pilferage problem at the Army depot complex on Okinawa. This seems to be borne out by a recent news article in the local Okinawa newspaper. On August 5, 1972, the newspaper reported that a number of United States military and local Okinawan citizens allegedly involved in stealing a total of \$21,700 in liquor and cigarettes from the Army depot and selling them on the local economy had been apprehended.

We found no formal criteria to judge the adequacy of the port security program. One measure of this adequacy would be the amount of property stolen. During fiscal year 1972 about \$6,500 was reported stolen. However, as shown in chapter 2 of this summary this figure may not be representative because of a lack of follow-through on discrepancies in shipments. We can only conclude that the uncorrected weaknesses in physical security and incomplete accountability present opportunities for theft and pilferage to take place without being detected.

INTERNAL AUDITS OF CARGO
ACCOUNTING PROCEDURES

AGC00811
The U.S. Army Audit Agency has issued two reports dealing with the controls over incoming cargo at the Naha Military Port during the past two years. The first report dated January 8, 1970 concerned itself with the processing of retrograde materiel returning from Vietnam. The second report was issued on April 28, 1971 and was broader in scope. Its primary purpose was to evaluate the effectiveness and efficiency of the Second Logistical Command in providing ground transportation and port services. This report also followed up on the recommendations of the first report.

DOCUMENT AVAILABLE

We found that a number of the Army Audit recommendations had been adopted by the port; however, the following deficiencies still need to be corrected:

1. The port is not reporting and investigating shortages between cargo discharged and cargo delivered--thereby precluding a determination of cargo losses at the port.
2. There are inadequate controls over the documents used to record cargo movements from the ship to the ultimate customer. This could result in their use to steal cargo from the port.
3. About 15 percent of the delivery tallies we checked at the port were not receipted for by the customer; therefore, the port could not be certain that the cargo was ever delivered.

In our opinion, the internal audit coverage was adequate in scope and frequency.

CONCLUSIONS AND RECOMMENDATIONS

There are weaknesses in accounting for materiel shipped to Okinawa through the port of Naha. There also are some physical security weaknesses, although this area has been improved since Okinawa reverted to Japanese control and the Provost Marshal assumed responsibility for physical security. The extent of cargo losses cannot be measured and, in fact, many officials do not believe this to be a problem. However, our limited tests indicate circumstantial evidence of loss in that significant unexplained discrepancies exist in reconciling quantities shipped, received and on order.

We recommend that the following actions be taken to improve cargo management in Okinawa.

1. As a first step, a high priority should be placed on "closing the loop" on cargo shipments. Specifically, the following discrepancies should be investigated, underlying reasons analyzed, and responsibility affixed:
 - a. Differences between amounts received at the port and receipted for by customers.
 - b. Long outstanding dues-in for merchandise on which shipping information has been furnished.

BEST DOCUMENT AVAILABLE

A system of reporting progress to higher command levels should be developed at least until all deficient matters have been satisfactorily resolved.

2. Adequate controls should be developed to account for discharge and delivery tallies. Also, there should be on record signature cards for each person authorized to receipt for cargo and the signatures on delivery documents should be periodically compared with these cards to ensure their authenticity.

3. Port security measures should be improved but we are not making any recommendations since the Army has acted on these matters on its own initiative.

4. After some of the basic corrective actions discussed above are taken, and the dimensions of problems better known, further improvements can be considered. For example, special teams could be set up to focus on the types of cargo most susceptible to pilferage so that special handling procedures could be considered to better safeguard this materiel.

- - - -

We wish to acknowledge the cooperation which Army officials on Okinawa gave to our staff during our survey. We would appreciate receiving your comments on the findings and recommendations contained in this report and of action you plan to take thereon.

Sincerely yours,


C. Roman
Director

BEST DOCUMENT AVAILABLE