

Inspector General

United States
Department of Defense



Small Arms Ammunition Fund Management in
Support of the Global War on Terror

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Acronyms and Abbreviations

| | |
|-----------|--|
| AAA | Army Audit Agency |
| ASA(FM&C) | Assistant Secretary of the Army (Financial Management & Comptroller) |
| ASN(FM&C) | Assistant Secretary of the Navy (Financial Management & Comptroller) |
| FAD | Funding Authorization Document |
| GAO | Government Accountability Office |
| GWOT | Global War on Terror |
| MIPR | Military Interdepartmental Purchase Request |
| NAVAUDSVC | Naval Audit Service |
| NAVSEA | Naval Sea Systems Command |
| NSWC | Naval Surface Warfare Center |
| OUSD(C) | Office of the Under Secretary of Defense (Comptroller) |
| PEO Ammo | Program Executive Office for Ammunition |



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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October 20, 2008

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE
(COMPTROLLER)/CHIEF FINANCIAL OFFICER
ASSISTANT SECRETARY OF THE ARMY
(FINANCIAL MANAGEMENT AND COMPTROLLER)
ASSISTANT SECRETARY OF THE NAVY
(FINANCIAL MANAGEMENT AND COMPTROLLER)
PROGRAM EXECUTIVE OFFICER, AMMUNITION

SUBJECT: Small Arms Ammunition Fund Management in Support of the Global War
on Terror (Report No. D-2009-006)

We are providing this report for your information and use. No written response to this report was required, and none were received. Therefore, we are publishing this report in final form.

We appreciate the courtesies extended to the staff. Please direct questions to James L. Kornides at (614) 751-1400 extension 211. The team members are listed inside the back cover.

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Results in Brief: Small Arms Ammunition Fund Management in Support of the Global War on Terror

What We Did

The objective of this audit was to determine whether the Military Departments properly managed small arms ammunition funds in support of the Global War on Terror (GWOT).

We reviewed:

- budgetary requests and the two appropriation bills passed by Congress for FY 2007 that funded GWOT ammunition procurements;
- the flow of FY 2007 GWOT funds from the Office of the Secretary of Defense (Comptroller) to the procurement offices;
- the procurement actions performed by the Program Executive Office for Ammunition and the Military Departments;
- the obligations and other relevant supporting documentation for small arms ammunition contracts to ensure their accuracy and completeness; and
- the processes used for tracking GWOT obligations through the Military Departments' respective accounting systems.

Because the Air Force did not receive any small arms ammunition GWOT funds for FY 2007, we did not include the Air Force in this report.

What We Found

The Program Executive Office for Ammunition and Military Departments properly managed FY 2007 funds appropriated for small arms ammunition in support of GWOT.

- All congressionally appropriated funds for procuring ammunition in support of GWOT could be tracked from the initial appropriation to the funding authorization documents transmitted to the Military Departments.
- Program Executive Office for Ammunition and the Military Departments adequately managed the procurement funds for small arms ammunition as requested to support the GWOT mission.
- The Program Executive Office for Ammunition and the Military Departments properly maintained documentation to support all procurement actions for small arms ammunition.

What We Recommend

This report contains no recommendations. Adequate controls existed for proper fund management of small arms ammunition used in support of GWOT.

Client Comments

No written response to this report was required, and none were received. Therefore, we are publishing this report in final form.

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Introduction

Objective

The objective of this audit was to determine whether Military Departments properly managed small arms ammunition funds in support of the Global War on Terror.

Background

Following the terrorist attacks of September 11, 2001, the United States initiated military operations to combat terrorism in the United States, Iraq, and Afghanistan. Military operations in Iraq and Afghanistan are known as Operation Iraqi Freedom and Operation Enduring Freedom, respectively. Efforts to defend the United States from further terrorist attacks are referred to as Operation Noble Eagle. These operations are collectively referred to as the Global War on Terror (GWOT). The Office of the Under Secretary of Defense (Comptroller) (OUSDC) considers GWOT a contingency operation and requests funding from Congress for GWOT through emergency supplemental and bridge appropriations.

In response to DoD requests for funding to cover the extra costs associated with conducting operations in support of GWOT, Congress enacted supplemental appropriations. Supplemental appropriations are additional budget authority given to DoD beyond original annual appropriations for DoD programs or activities that are too urgent to be postponed until the next regular appropriation. Congress may also provide funding using bridge funds. Bridge funds are within annual appropriations and cover emergency costs for the year until supplemental appropriations are available.

DoD assigned the responsibility for procuring conventional ammunition to the Program Executive Office for Ammunition (PEO Ammo), located at the Picatinny Arsenal in New Jersey. The PEO Ammo consolidates ammunition purchase requests from the Army, Navy, Air Force, U.S. Marine Corps, and other customers. This process is intended to be more cost effective because of the larger volume of ammunition purchased through consolidated contracts, rather than allowing each Military Department to issue its own contracts. The PEO Ammo accomplished its purchase of small arms ammunition for FY 2007 through four contracts.

The PEO Ammo procured most ammunition for the Navy and Marine Corps. However, the Naval Surface Warfare Center (NSWC) in Crane, Indiana, administers the contracting for ammunition that is unique to the Navy and not currently fielded with the PEO Ammo for procurement actions. Of the FY 2007 funds the Navy received for GWOT ammunition procurements, NSWC accomplished two procurement actions instead of the PEO Ammo.

Because the Air Force did not receive any small arms ammunition GWOT funds for FY 2007, we did not include the Air Force in this report.

For the purposes of this audit, we considered small arms ammunition to be ammunition of .50 caliber and below, specifically all shotgun ammunition, .50 caliber, .45 caliber, 9 mm, 7.62 mm, 5.56 mm, and .22 caliber. We did not make any distinction between lethal and non-lethal ammunition. The military uses these different types of ammunition for a variety of machine guns, rifles, carbines, pistols, and shotguns.

Small Arms Ammunition Procurement

The Military Departments and the PEO Ammo properly managed FY 2007 funds appropriated for small arms ammunition in support of GWOT. Specifically:

- all funds Congress appropriated for procuring small arms ammunition in support of GWOT could be tracked from the initial appropriation to the funding authorization documents transmitted to the Military Departments;
- the PEO Ammo and the Military Departments adequately managed the procurement funds for small arms ammunition as requested to support the GWOT mission; and
- the Military Departments and the PEO Ammo properly maintained documentation to support all procurement actions for small arms ammunition.

Congress Appropriates Funding for the DoD

In FY 2007, Congress appropriated \$1,206,963,000 of GWOT funds for all ammunition in the “U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007” and the “Department of Defense Appropriations Act, 2007.” Congress did not specify what type of ammunition to purchase with the GWOT funds in those appropriations. The appropriations included money for Army and Navy (including the Marine Corps) small arms ammunition purchases. The Air Force did not receive any small arms ammunition GWOT funds for FY 2007.¹

Congress appropriated \$919,250,000 for Army GWOT ammunition. Congress also appropriated \$287,713,000 in GWOT ammunition funding for the Navy and Marine Corps.

DoD Distributes Funding to the Military Departments

The OUSD(C) used Fund Approval for Direct Obligation documents to distribute congressional appropriations to the Military Departments. The documents specified whether the funds were base or supplemental. The Funding Authorization Documents (FADs) detailed the specific caliber of ammunition to purchase with the funding. As such, the FADs were more specific than the appropriation language.

During FY 2007, the OUSD(C) issued to the Assistant Secretary of the Army (Financial Management & Comptroller) (ASA [FM&C]) and the Assistant Secretary of the Navy (Financial Management and Comptroller) (ASN [FM&C]) funding that in total matched the \$1,206,963,000 provided by Congress. This funding amount was for all sizes of ammunition including small arms ammunition. The documentation showed that

¹ The Air Force did request FY 2007 funds for small arms ammunition. However, the funds were not included in the final DoD budget submission.

subsequent to the receipt of the FADs, the Military Departments issued \$355,297,575 of the GWOT funds for small arms ammunition to the PEO Ammo. Table 1 shows how the DoD distributed the funds to each Military Department.

Table 1. FY 2007 Small Arms Ammunition Funding

| Military Dept. | Amount of Funding Provided in FY 2007 for Small Arms Ammunition |
|----------------|---|
| Army | \$290,950,000 |
| Navy | 21,862,000 |
| Air Force | 0 |
| Marine Corps | 42,485,575 |
| Total | \$355,297,575 |

The narrative below illustrates the process of funding the procurement funds for ammunition by each Military Department and the PEO Ammo.

Military Departments’ Ammunition Procurement Process

After they received funding from the OUSD(C) for use in procuring ammunition, each Military Department submitted a request for small arms ammunition to the PEO Ammo for placement of the funding on a contract. With the exception of the Army, the Military Departments used Military Interdepartmental Purchase Requests (MIPR) to transfer funding for GWOT ammunition to the PEO Ammo. The Army did not use a MIPR to provide funding because the PEO Ammo is an Army function. Our conclusions about accountability and the traceability of the funding in each of the Military Departments were as follows.

Army Specific Process

We were able to trace the Army funding for small arms ammunition from the Congressional appropriation to PEO Ammo’s obligation of the funds on contracts. Congress appropriated \$919,250,000 in GWOT supplemental funds for the Army’s procurement funds for ammunition in two separate laws: Public Law 109-289, “The Department of Defense Appropriations Act, FY 2007,” and Public Law 110-28, “U.S. Troop Readiness, Veterans’ Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007.”

Because the PEO Ammo is an Army organization, the process for managing the Army’s procurement funds for small arms ammunition involved using procurement work directives to order ammunition. The PEO Ammo used a direct site of the Army’s ammunition procurement appropriation number (21 X 2034) to procure small arms ammunition. According to PEO Ammo and Program Manager Maneuver Ammunition Systems personnel, the remainder of the Army process for funding small arms ammunition procurements was as follows.

- The ASA(FM&C) began the ammunition procurement process by releasing \$290,950,000 of GWOT funds into its Program Budget and Accounting System in part on October 16, 2006, and the remainder on May 31, 2007.
- The PEO Ammo subsequently provided an allotment that allowed the Project Manager, Maneuver Ammunition Systems Picatinny, New Jersey, to obligate the funds within a specified amount.
- After receiving direction from PEO Ammo, the Armament Research Development and Engineering Center created an internal funding document and established the GWOT ammunition program in the Army Standard Operation and Maintenance Army Research and Development system.
- Upon direction from the Project Manager, Maneuver Ammunition Systems, the Joint Munitions Command at Rock Island, Illinois, subsequently issued procurement work directives to the Picatinny Contracting and Commerce office. We reviewed purchases for Army ammunition made on all contracts; however, we performed detailed testing of contract number W15QKN-06-C-0009 with three Accounting Classification Reference Numbers. Table 2 shows the Procurement Work Directives (PWD) that amended the contract for the ammunition.

Table 2. Sample Army Ammunition Procurement Requests

| Accounting Classification Reference Numbers | Procurement Request Order Number | DoD Identification Code | Procurement Work Directive Date | Procurement Work Directive Amend | Amended Quantity | Amended Amount |
|---|----------------------------------|-------------------------|---------------------------------|----------------------------------|------------------|----------------|
| BM | 4A7S0024M2NG | AA04 | 17-Nov-06 | 7-Jan-07 | 2,219,520 | \$4,258,595.69 |
| BN | 4A7S1024M2NG | AA04 | 17-Jan-07 | 4-Feb-07 | 1,730,560 | \$3,207,246.85 |
| CN | 4A7S1113M2NG | AA04 | 11-Jun-07 | 22-Jun-07 | 2,138,240 | \$4,050,681.86 |

To test the accuracy and accountability of the funding that was placed on the Army contract W15QKN-06-C-0009, we traced the funding from the procurement work directives to the contract documents. We determined that all small arms ammunition funding was properly placed on the contract. In total, the Army purchased 6,088,320 rounds of 7.62 mm ammunition for \$11,516,524.40 as shown in Table 3.

Table 3. Army Procurement Requests and Contracted Amounts

| Accounting Classification Reference Number | Procurement Request Order Number | Procurement Work Directive Amount | Procurement Work Directive Quantity | Contract | Contract Amount | Contract Quantity |
|--|----------------------------------|-----------------------------------|-------------------------------------|------------------|-----------------|-------------------|
| BM | 4A7S0024M2NG | \$ 4,258,595.69 | 2,219,520 | W15QKN-06-C-0009 | \$ 4,258,595.69 | 2,219,520 |
| BN | 4A7S1024M2NG | 3,207,246.85 | 1,730,560 | W15QKN-06-C-0009 | 3,207,246.85 | 1,730,560 |
| CN | 4A7S1113M2NG | 4,050,681.86 | 2,138,240 | W15QKN-06-C-0009 | 4,050,681.86 | 2,138,240 |
| Total | | \$11,516,524.40 | 6,088,320 | | \$11,516,524.40 | 6,088,320 |

The Army made procurements on this contract using three different contract modifications. We verified that the contracts included the proper quantity and expense for the rounds of ammunition. Overall, the PEO Ammo placed the requirements on one of the four contracts for procuring the various calibers of small arms ammunition. We examined the procurement documentation and determined that the Army properly controlled funding for small arms ammunition in support of GWOT and PEO Ammo properly placed the funding on contracts.

Navy Specific Process

We were able to trace the GWOT funding for small arms ammunition procurement through the process the Navy used to allocate and account for funding. We did not detect any inappropriate use of the funding. The Navy received \$21,862,000 in FY 2007 funds. We were able to account for all the funding and matched the funds to MIPRs provided to the PEO Ammo or work orders provided to NSWC Crane. The Navy used a Navy appropriation number (17 X 1508) for procuring all of its small arms ammunition.

The Navy received funding from the OUSD(C) in October 2006 and May 2007. The ASN(FM&C) forwarded that funding for GWOT ammunition to the Naval Sea Systems Command (NAVSEA) in October 2006 and May 2007, respectively. Navy processed the funds as follows.

- OUSD(C) provided a FAD with \$21,862,000 to the ASN(FM&C) on May 25, 2007.
- The Department of the Navy, Office of Budget/Fiscal Management Division provided the \$21,862,000 of GWOT funding to the Commander, NAVSEA using a FAD on May 29, 2007. NAVSEA then allocated the funds to individual ammunition line items.
- The Commander, NAVSEA provided two Project Directive/Work Orders in June 2007 and two MIPRs in July 2007 to the NSWC to administer the procurement actions for the “Small Arms and Landing Party” budget line item.
- The NSWC prepared two MIPRs that it sent to the PEO Ammo on October 15, 2007, and July 9, 2007, respectively, through the Joint Munitions Command at Rock Island, Illinois, for placement on a contract.
- PEO Ammo accepted the MIPRs on November 1, 2007, and August 3, 2007, respectively, and provided a copy to the NAVSEA Comptroller.
- The NSWC issued two separate contracts for ammunition unique to the Navy that PEO Ammo did not handle.

According to NAVSEA personnel, the Army’s PEO Ammo determined when to place the Navy funds on a particular contract. We verified that the funding the Navy provided was

obligated on two of the four contracts the PEO Ammo had established to purchase GWOT ammunition. In addition, we obtained copies of the two contracts issued by the NSWC and verified that the specific line items were for GWOT ammunition and that the funds provided were put on the contract.

Records showed that NAVSEA tracked GWOT funds for ammunition using a cost code field in the line of accounting. During FY 2007, NAVSEA placed code “AH101” in each cost code to indicate that the funds were supplemental GWOT appropriations. We verified that the \$21,862,000 of funding for GWOT ammunition matched the amount the Navy received and provided. Table 4 shows the details of the Work Orders and MIPRs for small arms ammunition

Table 4. Sample Navy Procurement Requests

| Date | MIPR No./Work Order | Amount |
|-----------------------------|--------------------------|--------------|
| 6/29/2007 | N0002407WX40206 | \$ 1,582,000 |
| 6/29/2007 | N0002407WX40209 | 18,000 |
| | Total Work Order to NSWC | 1,600,000 |
| 7/9/2007 | N4802907MPA7B38 | 20,000,000 |
| 7/9/2007 | N4802907MPA7B39 | 262,000 |
| | Total MIPR to PEO Ammo | 20,262,000 |
| Total GWOT Funding Provided | | \$21,862,000 |

Navy Contracting Outside of PEO Ammo Channels. Of the two work orders that were issued on June 29, 2007, (previously identified) the NSWC issued two contracts. Table 5 details the specifics of these contracts.

Table 5. Navy Contracted Amounts

| Date Issued | Contract No. | Contractor | Amount ² |
|-------------|-----------------------|-----------------------|---------------------|
| 10/29/2007 | N00164-05-D-4816/0006 | Combined Systems Inc. | \$1,581,992.62 |
| 11/13/2007 | N00164-06-D-4884 | Olin Corporation | 17,901.44 |
| Total | | | \$1,599,894.06 |

We asked the ASN(FM&C) personnel why the NSWC did not use the PEO Ammo as the Single Manager of Conventional Ammunition for the two contracts they issued. Navy Comptroller personnel told us that small arms ammunition that were not procured through the PEO Ammo were the new ammunition types that are Navy specific and still

² The amounts represented in this table are single line items in a larger contract. The funding provided did not exactly equal \$1,599,894.06, but we consider the difference to be immaterial.

in a Low Rate Initial Production status. In addition, they provided documentation that indicated the Navy was permitted to go outside of the PEO Ammo for ammunition that was already available on contracts initiated or controlled by a Military Department other than Army, such as the Special Operations Command or the USMC. The Navy Comptroller personnel further stated that in the case of the LA51/LA52 12 gauge rounds, the ammunition was developed for a Navy-specific purpose and both ammunition types had not been fully fielded at the time. However, the Navy expects them to be slated for transition to PEO Ammo once they have been fully fielded and sufficient usage data has been established. The AA16 9 mm Frangible is a frangible item that was developed for USMC use and some Naval units have started using it. The Navy stated that, at the time of the audit, the PEO Ammo did not deal with frangible ammunition.

The records we examined showed the Navy provided adequate fund control to ensure the funds for GWOT ammunition were appropriately distributed and used for procuring small arms ammunition.

Marine Corps Specific Process

We traced the \$42,485,575 the Marine Corps received for GWOT ammunition from the appropriation to the contract. At the time of the audit, the Marine Corps had obligated \$42,485,575 of the funds received for GWOT small arms ammunition. We found no discrepancies, diversions, or misuse of the funds. The Marine Corps accounted for all of the funding that it received from the ASN(FM&C) and forwarded MIPRs to the PEO Ammo to procure ammunition. In addition, the Marine Corps adequately documented the flow of funding. The following shows the Marine Corps procurement process:

- The Navy Comptroller sent two FADs totaling \$463,408,000 to the Commandant of the Marine Corps for procuring all types of ammunition on October 6, 2006, and May 29, 2007, respectively.
- The Director of Financial Management at Marine Corps Systems Command (Comptroller) allocated the funds to the specific budget line items.
- The Marine Corps Program Manager for Ammunition prepared 10 MIPRs that were sent to the PEO Ammo for placement on a contract totaling the \$42,485,575 for GWOT small arms ammunition. Table 6 details the MIPRs and contracts the PEO Ammo placed the funds on for procuring GWOT ammunition.

Table 6. Marine Corps Procurement Requests and Contracted Amounts

| MIPR No. | Date | Quantity | Amount | Contract No. |
|-----------|------------|------------|--------------|-----------------------|
| M07-00021 | 11/14/2006 | 358,000 | \$ 96,980 | DAAA09-99-D-0016/0017 |
| M07-71049 | 11/27/2006 | 1,644,800 | 4,946,407 | W52P1J-05-G-0002 |
| M07-71048 | 2/7/2007 | 65,372,160 | 16,436,879 | DAAA09-99-D-0016/0017 |
| M07-00026 | 2/12/2007 | 18,092,000 | 11,078,192 | DAAA09-99-D-0016/0017 |
| M07-71152 | 6/4/2007 | 18,024,720 | 4,657,779 | W52P1J-05-G-0002 |
| M07-71144 | 6/4/2007 | 3,818,400 | 2,131,776 | W52P1J-05-G-0002/M5 |
| M07-71147 | 6/4/2007 | 1,060,000 | 154,789 | W52P1J-06-D-0031/0003 |
| M07-71145 | 6/4/2007 | 274,000 | 98,600 | DAAA09-99-D-0016/0017 |
| M07-71146 | 6/4/2007 | 875,400 | 2,419,674 | DAAA09-99-D-0016 |
| M07-00024 | 7/2/2007 | 3,204,000 | 464,499 | W52P1J-06-D-0031 |
| Total | | | \$42,485,575 | |

Once the PEO Ammo accepted the MIPRs, the Marine Corps recorded the \$42,485,575 of funding in the Marine Corps accounting system (that is, the Standard Accounting, Budgeting and Reporting System) until deliveries were received and funds were liquidated.

The records we examined showed that the Marine Corps had an adequate method for tracking its supplemental funding for GWOT through its line of accounting. The fifth position in its Requisition Control Number had either a “B” for base or “S” for supplemental (GWOT). Marine Corps personnel stated that they issued separate documents for the same type of ammunition, depending upon whether they were using GWOT or non-GWOT funds. For example, the Marine Corps Program Manager for Ammunition’s documents showed that when the Marine Corps had a requirement for 5.56 mm ammunition and it was using both base and supplemental funds, the Marine Corps Program Manager issued separate documents with unique lines of accounting for each request.

PEO Ammo Funds Management

The PEO Ammo accomplished its purchase of small arms ammunition during FY 2007 using four contracts. Table 7 shows the contracts and the contractors.

Table 7. PEO Ammo Contracts

| Item | Contract Number | Contractor |
|---|------------------|---------------------------|
| Various Small Cal Ammo (A059, A062, AA33, A111, A131, A557, A576) | W52P1J-05-G-0002 | General Dynamics – OTS |
| Various Small Cal Ammo (A059, A111, A131, A557, A576) | DAAA09-99-D-0016 | Alliant Techsystems, Inc. |
| CTG 7.62MM ARMOR PIERCING M993 | W15QKN-06-C-0009 | Nammo |
| CTG CAL .50 SLAP M903 (SLAPT M962) | W15QKN-07-C-0110 | Olin Winchester |

We believe the PEO Ammo maintained adequate control of funds management over the ammunition procurement program. In addition, the PEO Ammo properly maintained documentation supporting all procurement actions for GWOT ammunition.

When the PEO Ammo accepted the MIPRs from the Military Departments, it maintained an electronic record to account for all of the funding it received. We verified that the PEO Ammo electronic records contained an adequate audit trail. Specifically, the PEO Ammo maintained the electronic records using a Cost to Complete worksheet that identified all MIPRs the PEO Ammo had accepted, total dollars received on each MIPR, total dollars committed and obligated, and additional overhead charges for items that included containers for the ammunition, engineering support, quality and acceptance testing, and any other costs associated with production. We reviewed a select sample of Cost to Complete reports and determined that the PEO Ammo was properly maintaining and accounting for all funds.

Conclusion

The PEO Ammo and the Military Departments properly managed the \$355,297,575 of FY 2007 GWOT funds that Congress appropriated and OUSD(C) designated for small arms ammunition in support of GWOT. Specifically:

- the \$355,297,575 Congress appropriated and OUSD(C) designated for procuring small arms ammunition in support of GWOT could be tracked from the initial appropriation to the funding authorization documents transmitted to the Military Departments;
- the PEO Ammo and the Military Departments adequately managed procuring small arms ammunition as requested to support the GWOT mission; and
- the Military Departments and the PEO Ammo properly maintained documentation to support all procurement actions for small arms ammunition.

Appendix A. Scope and Methodology

We conducted this financial-related audit from October 2007 through June 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To achieve the audit's objective, we reviewed the Military Departments' budgetary requests for supplemental and emergency funding for the Global War on Terror. We reviewed the FY 2007 Global War on Terror funding received from Congress in Public Law 109-289, "The Department of Defense Appropriations Act, FY 2007," and Public Law 110-28, "U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007." We traced these funds from the Congressional appropriation to the Office of the Under Secretary of Defense (Comptroller) through the distribution to the Military Departments. We then analyzed the Military Departments' orders to the PEO Ammo and verified that the orders were properly placed on contract and obligated.

In order to verify the proper placement of Military Departments' orders on contract, we reviewed purchases made on all contract files in each of the four PEO Ammo issued contracts that were active during FY 2007. In addition, we reviewed two contracts issued by the Naval Surface Warfare Center for ammunition that was not available for procurement through the PEO Ammo contracts. We focused only on procurement actions occurring during FY 2007.

The Air Force did not receive Global War on Terror funding during FY 2007 for procuring small arms ammunition. We reviewed the original budget request by the Air Force which was for the development of a new pistol and for ammunition. The Office of the Under Secretary of Defense (Comptroller) did provide \$3,000,000 on a Funding Authorization Document for "Small Arms" which was for M2 .50 caliber weapons and improvement kits only. As a result, the audit and the report do not include the Air Force small arms ammunition procurement process.

Review of Internal Controls

We determined that internal controls by the PEO Ammo, the Assistant Secretary of the Army (Financial Management & Comptroller), the Assistant Secretary of the Navy (Financial Management & Comptroller), the Naval Sea Systems Command, and the Commandant of the Marine Corps (Comptroller) over procuring small arms ammunition using funds appropriated for the Global War on Terror, as defined by DoD Instruction 5010.40, "Managers' Internal Control (MIC) Program Procedures," January 4, 2006, were adequate as they applied to the audit objectives.

Use of Computer-Processed Data

We did not use computer-processed data to perform this audit.

Appendix B. Prior Coverage

During the last 5 years, the Government Accountability Office (GAO), Army Audit Agency (AAA), and the Naval Audit Service (NAVAUDSVC) have issued 18 reports discussing Global War on Terror funding or small arms ammunition programs. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>.

GAO

GAO Report No. GAO-08-68, “DoD Needs to Take Action to Encourage Fiscal Discipline and Optimize the Use of Tools Intended to Improve GWOT Cost Reporting,” November 6, 2007

GAO Report No. GAO-07-1056R, “Global War on Terrorism: Reported Obligations for the Department of Defense,” July 26, 2007

GAO Report No. GAO-07-783R, “Global War on Terrorism: Reported Obligations for the Department of Defense,” May 18, 2007

GAO Report No. GAO-07-542T, “Federal Financial Management: Critical Accountability and Fiscal Stewardship Challenges Facing Our Nation,” March 1, 2007

GAO Report No. GAO-06-885T, “Global War on Terrorism: Observations on Funding, Costs, and Future Commitments,” July 18, 2006

GAO Report No. GAO-05-882, “Global War on Terrorism: DoD Needs to Improve the Reliability of Cost Data and Provide Additional Guidance to Control Costs,” September 21, 2005

GAO Report No. GAO-05-767, “Global War on Terrorism: DoD Should Consider All Funds Requested for the War When Determining Needs and Covering Expenses,” September 28, 2005

GAO Report No. GAO-05-687, “DoD Meeting Small and Medium Caliber Ammunition Needs, but Additional Actions Are Necessary,” July 27, 2005

GAO Report No. GAO-04-668, “Military Operations: DoD’s Fiscal Year 2003 Funding and reported Obligations in Support of the Global War on Terrorism,” May 13, 2004

GAO Report No. GAO-04-514, “Future Years Defense Program: Actions Needed to Improve Transparency of DoD’s Projected Resource Needs,” May 7, 2004

Army

AAA Report No. A-2007-0224-FFP, “Followup Audit of Ammunition Pricing Practices, Office of the Program Executive Officer, Ammunition, Picatinny Arsenal, New Jersey,” September 21, 2007

AAA Report No. A-2005-0069-ALA, "Attestation Review on Funding Improvements to the Army's Ammunition Industrial Base," December 10, 2004

AAA Report No. A-2004-0519-AMA, "Managing the Army's Ammunition Mission, Office of the Program Executive Officer, Ammunition, Picatinny Arsenal, New Jersey and U.S. Army Joint Munitions Command, Rock Island, Illinois," September 20, 2004

AAA Report No. A-2004-0269-IMT, "Ammunition and Small Arms, California Army National Guard," April 30, 2004

AAA Report No. A-2004-0222-AMA, "Ammunition Pricing Practices, Office of the Program Executive Officer, Ammunition, Picatinny Arsenal, New Jersey," April 2, 2004

Navy

NAVAUDSVC Report No. N2008-0008, "Marine Corps Small Arms," November 23, 2007

NAVAUDSVC Report No. N2007-0029, "The Navy's Small Arms and Weapons Program," May 1, 2007

NAVAUDSVC Report No. N2005-0018, "Marine Corps Systems Command Contracts Supporting Operation Iraqi Freedom," December 22, 2004

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