

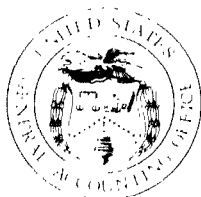
GAO

Report to the Chairman, Subcommittee on
Readiness, Committee on Armed Services,
House of Representatives

March 1992

DEFENSE INVENTORY

Control and Security Weaknesses Create Opportunities for Theft





United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

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The Honorable Earl Hutto
Chairman, Subcommittee on
Readiness
Committee on Armed Services
House of Representatives

Dear Mr. Chairman:

This report responds to your concerns about the recent thefts involving the Department of Defense's inventory. In this regard, you asked us to examine the inventory's vulnerability to theft and the Department's implementation of physical inventory controls, in-transit controls, and physical security measures designed to safeguard assets and detect theft.

We are sending copies of this report to the Director, Office of Management and Budget; the Chairmen, House Committee on Government Operations, Senate Committee on Governmental Affairs, House and Senate Committees on Appropriations, and Senate Committee on Armed Services; and the Secretary of Defense. Copies will also be made available to other parties on request.

Please contact me at (202) 275-8412 if you or your staff have any questions. Other major contributors are listed in appendix IV.

Sincerely yours,

Donna M. Heivilin
Director, Logistics Issues

Executive Summary

Purpose

The Department of Defense's (DOD) inventory consists of billions of dollars in supplies stored at, or in transit to, supply depots and other locations. As of September 30, 1990, for example, the value of secondary items¹ reported by DOD was \$101.9 billion. The inventory's size, makeup, and dispersion make it especially challenging to protect it from theft.

Over the years, GAO and others have reported continuing problems in DOD programs that are to prevent and detect inventory thefts. In recognition of this, 10 U.S.C. 2891 requires DOD to report annually in fiscal years 1989 through 1991 on the control and security of supplies, and in 1990 GAO identified DOD's inventory management as a high-risk area. At the request of the Chairman, Subcommittee on Readiness, House Committee on Armed Services, GAO examined (1) the inventory's vulnerability to theft, (2) physical inventory programs and in-transit controls to deter and detect theft, and (3) physical security programs to safeguard supplies from theft.

Background

DOD efforts to deter and detect theft include the physical inventory control program, in-transit controls, and the physical security program. The physical inventory control program includes counting on-hand inventory to identify discrepancies between recorded balances and actual inventory levels, research to identify the causes of discrepancies, and investigations to determine whether individuals should be held accountable for losses. In-transit controls include identifying, reporting, and researching discrepancies between quantities shipped and received. The physical security program involves applying a mix of security resources, including guards and fences, to safeguard supplies. In addition, DOD performs criminal investigations to document thefts.

Results in Brief

Starting in fiscal year 1989, the Congress required DOD to submit annual reports for 3 years on its control and security of supplies, including information on the value of supplies lost or stolen or for which accountability had otherwise been lost and the circumstances surrounding cases involving missing supplies that were investigated by law enforcement agencies during the preceding year.

DOD reported that, in fiscal years 1989 and 1990, losses totaling about \$65.8 million were detected during criminal investigations. About

¹DOD defines secondary items as minor end items; replacement, spare, and repair components; and personnel support and consumable items. Examples of secondary items include aircraft, tank, and ship parts; construction, medical, and dental supplies; and food, clothing, and fuel.

\$51.6 million of the losses were recovered. DOD also reported that, during the period, losses totaling about \$2.5 billion and gains totaling \$1.8 billion were disclosed during physical inventories. Additional losses occurred while supplies were in transit but were not reported. DOD stated that it could not provide narrative information for each of the nearly 2,000 cases investigated annually because needed information was not readily available. Instead, DOD provided a summary analysis of the cases. DOD investigators and logistics officials stated that theft was not a major inventory problem. They said that documented theft losses were relatively small and that most physical inventory losses appeared to result from paperwork problems rather than theft.

Recent criminal investigations by the Federal Bureau of Investigation and DOD and recent GAO reports show that weaknesses in the implementation of DOD's physical inventory control programs, in-transit controls, and physical security programs have created opportunities for theft. While DOD corrects these weaknesses after they are identified, recent thefts indicate that DOD should give a high priority to identifying them.

DOD requires managers to analyze inventory adjustments and in-transit discrepancies to establish whether they indicate criminal or negligent activity. Analysis of such information provides some indications of where thefts may be occurring.

Principal Findings

Annual Report Is Not Comprehensive

For fiscal years 1989 and 1990, DOD reported that losses of about \$65.8 million were detected in cases investigated by law enforcement agencies and closed during the period. The report stated that the statistics indicated that every avenue must be pursued to remove the opportunity for theft.

According to the report, losses of about \$2.5 billion were disclosed by physical inventories taken during the period. DOD's annual reports did not include statistics on in-transit losses, which could be considerable. However, some information on in-transit losses can be obtained from financial and other records. According to Defense Logistics Agency financial reports, for example, losses on shipments from vendors and to customers totaled \$98.6 million in fiscal years 1989 and 1990. A DOD

logistics official stated that data on in-transit losses were not included because they were not requested by the Congress.

Criminal investigators and logistics officials told GAO that theft was not a major inventory problem. They said that theft losses disclosed during criminal investigations were relatively small, and that investigators recovered about \$51.6 million of them. They also said that physical inventory adjustments were small relative to the size of the inventory. In addition, according to logistics officials, the large value of inventory gains, about \$1.8 billion during the 2-year period, indicated that most physical inventory losses were caused by paperwork problems rather than thefts.

Control and Security Weaknesses Increase Inventory's Vulnerability

GAO found that recent criminal investigations documented organized thefts at a Defense Depot in California, Army depots in Utah and Texas, an Air Force depot in Utah, and a Navy depot in Virginia. Generally, the thefts could be attributed to weaknesses in the physical inventory control program, in-transit controls, or physical security program at the investigated facilities.

DOD has continued to have problems ensuring the effective implementation of its physical inventory control policies and procedures. For example, the Army completed only about 50 percent of its physical inventory requirement during fiscal year 1990 and was funded to complete only 20 percent in 1991. Furthermore, GAO's analysis of inventory gains and losses over a 2-year period at the Defense Personnel Support Center and the Army Armament, Munitions, and Chemical Command disclosed large net losses for many items, including sleeping bags (\$3.6 million) and small arms bolt assemblies (\$1.2 million). However, required research or investigations were not completed for many of these losses.

DOD does not expect to fully implement planned in-transit controls until 1995. Consequently, in-transit thefts can go undetected. In January 1991, for example, GAO reported that weaknesses in DOD's in-transit controls for shipments to the Defense Reutilization and Marketing Office permitted the theft of 20 jeeps to go undetected.

DOD also has continued to have problems ensuring the effective implementation of its physical security policies and procedures. At an Army depot in Texas, for example, GAO and criminal investigators found that material was left on loading docks at night, security personnel did not randomly check employee vehicles at the gate, and employee parking was

permitted throughout the warehouse area. Physical security problems also contributed to the theft of items at an Air Force base in Utah.

**Inventory Adjustment Data
Could Help Target Limited
Investigation and Security
Resources**

DOD requires managers to analyze inventory adjustments and in-transit discrepancies to identify and correct their causes and to determine whether losses are due to criminal or negligent activity. For example, DOD's May 1991 physical security regulation requires the military services and the Defense Logistics Agency to analyze loss rates to establish whether repetitive losses indicate criminal or negligent activity.

GAO's analysis of inventory adjustments over a 2-year period showed that analysis of such information can help to identify those depots that were most at risk to theft. For example, several depots had much higher percentages of inventory discrepancies than other depots. Other GAO work had shown that one of these depots had a major control problem that indicated that theft could be occurring on a large scale.

**Matter for
Congressional
Consideration**

The Congress may want to consider continuing the requirement for an annual report until physical inventory, in-transit control, and physical security problems are improved. In addition, to increase the report's usefulness in assessing the risk of supply system assets to fraud and abuse, the Congress may want to consider requiring that the report include a summary description of the circumstances surrounding major theft cases—for example, cases involving losses greater than \$1 million or sensitive and classified items—and the value of and an analysis of in-transit losses.

Agency Comments

A draft of this report was provided to DOD in December 1991 and agency comments were requested. DOD has not provided official written comments. However, official oral comments were received. DOD expressed the opinion that the report overstated DOD's accountability problems and that continuing the requirement for an annual report in its current or modified form would not contribute to improved inventory accuracy or physical security. After considering DOD's comments, GAO continues to believe that such a report can be useful to the Congress in assessing the inventory's risk to fraud and abuse.

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Abbreviations

AMCCOM	Armament, Munitions, and Chemical Command
DCIO	DOD Criminal Investigative Organization
DLA	Defense Logistics Agency
DOD	Department of Defense
DPSC	Defense Personnel Support Center
GAO	General Accounting Office

Introduction

The Department of Defense's (DOD) inventory consists of billions of dollars in supplies stored at supply depots, at air bases, aboard ships, and with troop units, or in transit to these locations. As of September 30, 1990, for example, the value of DOD's inventory of secondary items reported by DOD was \$101.9 billion.

DOD's secondary inventory includes spare and repair parts, clothing, medical supplies, and other items that are desired by others, including foreign governments. Recent disclosures of thefts resulting in millions of dollars in losses underline the inventory's vulnerability to theft. Stolen items range from clothing, fishing kits, and gas masks to night vision devices, computers, and small arms parts.

The magnitude of the supply system challenges managers to ensure the control and security of DOD's inventory. In January 1990, we identified inventory management as a high-risk area for fraud, waste, and abuse.

Security and Control of Supplies at Depots and During Shipping

Effective physical inventory control programs, in-transit controls, and physical security programs are essential to the control and security of DOD's inventory. The military services and the Defense Logistics Agency (DLA) implement these programs and controls through inventory control points, storage depots, and other organizations involved in storing and shipping supplies.

Physical Inventory Control Program

An effective physical inventory control program is key to deterring and detecting losses at storage sites such as supply depots. A basic goal of DOD's physical inventory control program is to ensure that records agree with actual inventory counts. Inaccurate records can result in undetected shortages, overages, and other problems that degrade weapon system and customer support.

The physical inventory control program includes a comparison of on-hand quantities with record balances, research to determine the causes of any discrepancies, analysis of causative research results, and actions to eliminate those causes. DOD requires research for all discrepancies larger than \$16,000 and numerous smaller discrepancies.

DOD requires a financial liability investigation if research does not identify the cause of the loss, research indicates evidence of personal responsibility, and the loss meets certain criteria. For example, one

criteria requires an investigation for repetitive losses when the size of the losses equals or exceeds the cost of an investigation.

In-Transit Controls

In-transit controls are to ensure proper delivery of supplies to depots or other locations. They include policies and procedures for confirming receipt of shipments and reporting discrepancies. The Military Traffic Management Command manages the system for analyzing discrepancies in the quantity received from that shown on the bill of lading or governing transportation document, termed transportation-type discrepancies. Each of the military services and DLA are responsible for evaluating discrepancies in the quantity received from that shown on the authorizing supply document, termed shipping-type discrepancies.

Physical Security Program

Supply depots and other storage sites are to ensure that physical security regulations are implemented and that overall security is consistent with the threat—both external to the depot or internal from depot employees. Depots are to apply the proper mix of security resources that include security personnel, guard dogs, badge identity systems, vaults, locks, fences, lighting, and alarms.

DOD Criminal Investigative Organizations

DOD Criminal Investigative Organizations (DCIOs) investigate supply system thefts and other crimes. Staffing and funding in fiscal year 1991 for each of these agencies are shown in table 1.1.

Table 1.1: Staffing and Funding for DCIOs in Fiscal Year 1991

Dollars in millions		
Organization	Staffing	Budget
Defense Criminal Investigative Service	456	\$31.0
Army Criminal Investigation Command	1,800	103.7
Naval Investigative Service	1,920	139.6
Air Force Office of Special Investigations	2,405	129.1
Total	6,581	\$403.4

Objectives, Scope, and Methodology

At the request of the Chairman, Subcommittee on Readiness, House Committee on Armed Services, we examined (1) the inventory's vulnerability to theft, (2) physical inventory programs and in-transit controls to deter and detect theft, and (3) physical security programs to safeguard supplies from theft.

To gain an understanding of DOD's strategy to detect and combat theft, we interviewed supply officials and criminal investigators and obtained documents from the following:

- Army Criminal Investigation Command headquarters in Falls Church, Virginia, and its field office at the Presidio of San Francisco, California, and the Armament, Munitions, and Chemical Command (AMCCOM) in Rock Island, Illinois.
- Air Force Office of Special Investigations headquarters at Bolling Air Force Base, Washington, D.C., and its field office at Travis Air Force Base, California.
- Naval Investigative Service headquarters in Washington, D.C., and its Northwest Regional Office in Walnut Creek, California.
- DLA Headquarters, Alexandria, Virginia; Defense Personnel Support Center (DPSC), Philadelphia, Pennsylvania; Defense Depot Region West, Tracy, California; and Defense Reutilization and Marketing Office, Ogden, Utah.

To examine the supply system's vulnerability to theft, we interviewed DCIO headquarters and field staff and reviewed work load and other reports. We also interviewed logistics officials and examined reports to the Congress on security and control of supplies. Further, we reviewed documentation for the seven largest theft cases closed by investigators in fiscal year 1990 as identified in the Defense Investigative Management Information System and additional criminal investigation cases identified by DCIOs.

With respect to DOD's physical inventory control programs, we reviewed past reports by us and others. We also analyzed physical inventory adjustment data for a 2-year period from DPSC and AMCCOM. For each location, we identified the 20 items with the largest net losses and the depots where the losses most often occurred. For losses greater than \$16,000, we reviewed causative research and financial liability investigation documentation and discussed research and investigations with inventory managers to determine steps taken to determine the cause of the losses.

In March 1991, DOD revised the regulation governing financial liability investigation requirements. The revised regulation includes a requirement for investigations of repetitive losses where the losses equal or exceed the cost of an investigation and causative research indicates evidence of personal responsibility. Since all of the losses occurred before that change, our analysis was based on the earlier requirement for investigations for all losses that were larger than \$50,000 and for which prior research could not determine the cause of the loss.

For in-transit controls, we examined the status of planned improvements to DOD procedures for reporting the receipt of in-transit supplies. Further, we reviewed a May 1991 DOD Inspector General's report that addressed discrepancy reports for shipments of medical supplies from vendors, discussed in-transit controls with logistics officials, and obtained DLA financial data on in-transit losses.

With respect to the physical security program, we analyzed DOD's October 1989 Physical Security Master Plan, recent theft cases, and GAO and DOD reports on the subject. We also discussed physical security with headquarters officials of DOD, the military services, and DLA. Further, we obtained physical security information through a questionnaire from the following depots:

- Red River Army Depot, Texarkana, Texas; Sharpe Army Depot, Lathrop, California; New Cumberland Army Depot, Pennsylvania; Tooele Army Depot, Utah; Letterkenny Army Depot, Chambersburg, Pennsylvania; and Anniston Army Depot, Alabama.
- DLA Defense Distribution Region West, Tracy, California; Defense Depot Ogden, Utah; Defense Depot Mechanicsburg, Pennsylvania; Defense Depot Lexington, Kentucky; and Defense Depot Memphis, Tennessee.
- San Antonio Air Logistics Center, Kelly Air Force Base, Texas.

To achieve our objectives, we relied on computer-processed physical inventory adjustment data provided by DPSC and AMCCOM and computer-processed criminal investigation data provided by DOD's Inspector General. We did not establish the reliability of the data because of the time that would have been required.

We conducted our work from June 1990 to November 1991 in accordance with generally accepted government auditing standards.

Inventory Continues to Be Vulnerable to Theft

According to DOD's annual reports to the Congress on control and security of supplies, during fiscal years 1989 and 1990, theft and fraud detected during closed criminal cases totaled \$65.8 million, of which about \$51.6 million was recovered. DOD did not provide a description of the circumstances surrounding the nearly 2,000 cases but stated that the statistics indicated that every avenue must be pursued to remove the opportunity for theft.

In addition, during the same period, losses disclosed during physical inventories at supply depots totaled \$2.5 billion, while gains totaled \$1.8 billion. The report did not include information on in-transit losses because they were not specifically requested by the Congress. DOD criminal investigators and logistics officials believe that inventory theft is not a major problem. To support this belief, they point to the relatively low level of theft that has been identified during criminal investigations, the fact that physical inventory adjustment losses are small relative to the value of supplies inventoried, and the fact that most inventory losses appear to result from paperwork problems.

Criminal investigations and our reports over the last 5 years show that weaknesses in the implementation of physical inventory control, in-transit control, and physical security policies and procedures can permit major organized thefts to occur and go undetected for years. We believe that recent thefts indicate that DOD should give a high priority to identification and elimination of these weaknesses.

Annual Report Is Not Comprehensive

For fiscal years 1989 through 1991, DOD is required by 10 U.S.C. 2891 to report to the Congress on its security and control of supplies, including (1) the value of supplies lost or stolen or for which accountability has otherwise been lost and (2) a summary description of all criminally investigated incidents of theft, fraud, or breach of security involving DOD supplies and the circumstances under which they occurred.

As shown in table 2.1, DOD reported, based on closed criminal investigations, detected losses totaling about \$65.8 million during fiscal years 1989 and 1990. Fiscal year 1990 statistics include losses from Operation Punchout, a sting conducted by the Federal Bureau of Investigation.

Chapter 2
Inventory Continues to Be Vulnerable to Theft

Table 2.1: Detected Fraud and Theft Reported in Fiscal Years 1989 and 1990

Dollars in millions						
	FY 1989 (note a)		FY 1990 (note b)		Total	
	Lost	Recovered	Lost	Recovered	Lost	Recovered
Redistribution and marketing fraud	\$0.5	\$0.3	\$0.2	\$0.0	\$0.7	\$0.3
Theft/larceny/embezzlement	14.3	6.8	49.3	43.0	63.6	49.8
Theft of combat vehicles/weapons/explosives	0.6	0.6	0.9	0.9	1.5	1.5
Total	\$15.4	\$7.7	\$50.4	\$43.9	\$65.8	\$51.6

^aAccording to DOD, data have been adjusted to the extent possible after a data loss.

^bPartial year.

For fiscal years 1989 and 1990, DOD reported that about \$2.5 billion in general supply losses were discovered during physical inventories at supply depots. As shown in table 2.2, DOD's annual reports also showed about \$1.8 billion in inventory gains, for a net loss of about \$679.8 million during the period.

Table 2.2: Physical Inventory Adjustments for Supply Depots in Fiscal Years 1989 and 1990

Dollars in millions			
	FY 1989	FY 1990	Total
Average inventory	\$102,885.7	\$110,825.4	
Physical inventory results			
Gains	\$789.0	\$1,019.2	\$1,808.2
Losses	-1,430.2	-1,057.8	-2,488.0
Net change	-\$641.2	-\$38.6	-\$679.8

The value of in-transit supplies for which accountability was lost was not reported. The value of in-transit losses may be considerable. As shown in table 2.3, DLA's financial statements indicate a net loss on shipments from vendors and to customers of about \$98.6 million in fiscal years 1989 and 1990. In-transit losses reported in financial statements included damaged as well as lost supplies.

Table 2.3: Gains and Losses on DLA Shipments from Vendors and to Customers in Fiscal Years 1989 and 1990

Dollars in millions			
	FY 1989	FY 1990	Total
Shipments from vendors			
Gains	\$20.3	\$23.2	\$43.5
Losses	-12.8	-13.0	-25.8
Subtotal	7.5	10.2	17.7
Shipments to customers			
Gains ^a	-1.0	-0.9	-1.9
Losses	-47.3	-57.1	-104.4
Subtotal	-48.3	-58.0	-106.3
Total	-\$40.8	-\$47.8	-\$98.6

^aNegative number due to gain reversals.

A DOD official stated that information on in-transit losses could be collected from the military services and DLA but had not been requested by the Congress.

DOD's annual report did not include a summary description of each theft, fraud, and security incident because narrative information was not available within the automated system used to collect data on DOD investigations and was only available at the investigating agency. DOD did not believe it would be cost effective to provide the information. The report states that (1) lessons learned from each incident are applied at the local installation or command level; (2) each commander must be vigilant, aware of vulnerabilities, and execute appropriate protective measures; and (3) the statistics indicate that every avenue must be pursued to remove the opportunity for theft.

DCIO officials stated that inventory theft was not considered to be a major problem because losses documented during criminal investigations were relatively small. In addition, DOD stated that physical inventory losses were small relative to the size of the inventory. It noted that net losses have averaged about \$45 million over the last 11 years, which is about .09 percent of the average value of the material inventoried. Logistics officials also stated that losses did not necessarily indicate a theft problem. They noted that the large amount of inventory gains that has been discovered during the same period indicates that many losses also result from paperwork problems.

We believe that the information contained in the reports is not conclusive with respect to the inventory's vulnerability to theft. The reports do not

address in-transit losses, and theft losses reported by DCIOs reflect only those losses uncovered during investigations. Physical inventory adjustment losses, while small relative to the value of the supplies inventoried, are still significant. In addition, we believe that a more detailed analysis of inventory adjustment losses, as discussed in chapter 3, should be made to identify potentially vulnerable areas.

In addition, although DOD reports very high inventory accuracy rates, these rates can be deceptive. We reported in April 1991,² that using a statistical sample, during fiscal year 1989, we conducted physical inventories of 1,771 items valued at \$1.83 billion at four air logistics centers. Projecting our sample results, we estimated that 18.3 percent of the perpetual inventory records differed from what was actually in inventory and that the \$14.8 billion of inventory records at the four centers contained dollar errors totaling about \$2.3 billion (15.5 percent). This estimation of dollar errors consisted of \$1.5 billion of overstated inventory records and about \$0.8 billion of understated records for a net overstatement of about \$0.7 billion. We found that the air logistics centers' reporting of inventory errors focuses on developing statistics showing high rates of accuracy as opposed to full disclosure and correction of recurring problems. The full extent of inventory errors was not disclosed to top management due to the process followed in researching and correcting the errors. If the research process identifies an improperly processed transaction that caused the inventory error, inventory records are corrected by reversing or posting the incorrect transaction, and no disclosure is made to top management that an inventory error occurred. An inventory error is acknowledged only when the transaction causing the error cannot be identified. For example, Ogden Air Logistic Center's fourth quarter 1989 inventory sample showed a before-research dollar error rate of 17 percent; however, the after-research dollar error rate was reported at less than 1 percent. We believe that these statistics can lead a manager to conclude that inventory accuracy is excellent, as reflected by 99 percent accuracy after research, when in fact the before-research data more accurately reflect the status of the inventory records at any point.

²Financial Audit: Financial Reporting and Internal Controls at the Air Logistics Centers (GAO/AFMD-91-34, Apr. 5, 1991).

Recent Criminal Investigations Illustrate Inventory's Vulnerability

Investigations over the last 5 years documented the following organized thefts and other losses.

- For several years, the Federal Bureau of Investigation conducted a sting operation called Operation Punchout that disclosed thefts from Air Force, Army, and National Guard installations in Utah. The Bureau purchased 7,422 items with a replacement value of about \$13.8 million.
- Items were stolen by employees over several years at three Navy installations in Virginia. The investigation was initiated on the basis of a tip. Losses were estimated to be about \$4 million to \$6 million. According to a Navy official, however, inventory records were so poor that only 2 of the estimated 200 thefts could be verified through these records. As of April 1991, about 30 persons had been convicted, indicted, or were under investigation.
- Investigators documented the organized theft of small arms parts and other items at the Red River Army depot in Texas.
- Investigators documented the organized theft of over \$1.3 million in medical supplies at the Tracy Defense Depot in California.
- On the basis of a private citizen's report, investigators recovered government supplies valued at about \$2.0 million that had been abandoned by a trucking firm at a private storage facility in Oklahoma. A transportation official at one of the DOD installations that shipped the items stated that a discrepancy report indicating the loss had not been received for the abandoned items and that the trucking company had been paid for delivering some of these items.

In general, physical inventory control, in-transit control, or physical security weaknesses created opportunities for the thefts. In one case, however, an effective physical inventory program led to the discovery of \$1.3 million in medical supplies that had been stolen. Appendixes I and II contain more detailed descriptions of selected cases and selected GAO reports.

Physical Inventory Problems Have Continued

Section 2891, title 10 U.S.C., requires DOD to study and report on its procedures for ensuring the security and control of supplies at depots. In its September 1989 report, DOD stated that its physical inventory policies and procedures were generally adequate and that problems were linked to a lack of resources or compliance with policies and procedures.

DOD continues to have resource and compliance problems. According to DOD's January 1991 annual report, for example, the Army completed only

about 50 percent of its physical inventory requirement in fiscal year 1990 due to funding limitations. In addition, the report stated that the Army was funded for only 20 percent of its projected fiscal year 1991 requirement. The Army also noted, however, that it inventoried more items and a greater percentage of the dollar value of its inventory and had a higher inventory accuracy rate in fiscal year 1990 than in 1989.

In addition, required causative research or financial liability investigations for losses were frequently incomplete. Our analysis of gains and losses over a 2-year period at DPSC and AMCCOM identified 60 items with large net losses (see app. III). Examples of large net losses were sleeping bags (\$3.6 million), combat boots (\$1.5 million), and small arms bolt assemblies (\$1.2 million). For these 60 items, there were 143 losses greater than \$16,000 which, according to DOD policy, required causative research and potentially financial liability investigations. These losses totaled about \$89.2 million. Table 2.4 shows that required research or investigations had not been completed for about \$62.9 million of the \$89.2 million (about 71 percent).

Table 2.4: Causative Research and Financial Liability Investigations Done for Losses at DPSC and AMCCOM That Exceeded \$16,000

	Dollars in millions			
	Losses requiring research		Research or investigation not completed	
	Number	Value	Number	Value
Clothing and textiles	70	\$76.1	60	\$56.2
Medical	33	5.8	9	2.2
AMCCOM	40	7.3	19	4.5
Total	143	\$89.2	88	\$62.9

At DPSC we found that the cause of losses had not been resolved, yet no further action was taken. For example, documentation for the loss of about 38,000 sleeping bags valued at about \$4.1 million showed that DPSC requested an investigation in July 1990. The depot attributed the loss to a 1985 shipment of 25,920 sleeping bags that it had no record of receiving and a 1980 inventory gain of 28,083 sleeping bags that it believed to be questionable. At the time of our visit in February 1991, DPSC had not responded to the depot's assertion nor made any other effort to investigate the loss.

At AMCCOM, requests for 10 of 16 investigations were more than 6 months old. According to an AMCCOM official, for example, the investigation of 4

losses of chemical-biological masks totaling about \$130,000 was still pending more than 2 years after the investigation was requested.

In our work involving small arms parts at the Red River Army Depot,³ we noted deficiencies in the way the depot conducted inventories and research on significant inventory losses. Our analysis of 69 inventory records for controlled small arms parts showed that 51 had not been inventoried annually as required. More than half had not been inventoried since 1986 or 1987, and many others had not been inventoried since 1988. Beginning in 1988, Red River conducted physical counts, but frequently it did not research and reconcile the balances when variances existed between depot records and on-hand counts. For example, 30 of the 69 depot inventory records for small arms parts showed that initial counts had identified discrepancies, but Red River did not carry out the additional counts or research necessary to determine if the depot records needed to be adjusted. Incomplete inventories were a significant percentage of inventories that required research. For example, in fiscal year 1990, 82 percent of the inventories requiring research were not completed.

In one inventory adjustment case at Red River, the depot inappropriately reduced the amount of a loss of M16 bolt carriers by indicating it was due to an offsetting inventory adjustment over 2-1/2 years old. Also, the depot did not complete its investigation in a reasonable period of time. The loss was recorded in May 1989, but the depot did not submit its investigative report until January 1991—20 months later. That report concluded that “there appears to be a history of losses against this item There are no witnesses to theft and no statements that claim theft of this item.” The individual assigned to investigate the loss was not aware that in October 1989 a depot employee implicated in a sting had confessed to stealing about 900 M16 bolt carriers.

In another report,⁴ we noted that the inventory accounting system is programmed with edits that identify probable high-dollar errors in perpetual inventory records; however, because the potential errors were not adequately researched, some high-dollar errors identified by the edits were not corrected. For example, our audit tests at one air logistics center in fiscal year 1989 disclosed situations causing errors of \$245 million in perpetual inventory records. We identified three transactions, each of

³Inventory Management: Strengthened Controls Needed to Detect and Deter Small Arms Parts Thefts (GAO/NSIAD-91-186, July 17, 1991).

⁴Financial Audit: Financial Reporting and Internal Controls at the Air Logistics Centers (GAO/AFMD-91-34, Apr. 5, 1991).

which overstated the quantity of the item by 10,000 units. These three transactions were researched and corrected only after we pointed them out to local officials. In addition, we found that some high-dollar inventory errors were left uncorrected because the inventory results were simply ignored or "canceled" rather than processed as inventory adjustments, leaving a known error in the perpetual inventory record. We were told that the reason for some of the cancellations was to avoid making, and having to report to management, a high-dollar inventory adjustment.

Effective In-transit Controls Needed

In May 1986 and July 1988, we reported⁵ that the military services and DLA needed to improve material receipt procedures and controls. In comments on the 1988 report, DOD stated that prompt receipt confirmation and follow-up on overdue shipments are important. According to DOD, procedures were in place at wholesale supply depots, and implementation of proposed changes to material receipt confirmation requirements will extend procedures to the retail level. DOD estimated that proposed changes would be implemented in 1991. However, a DOD inventory control official recently estimated that needed changes would not be fully implemented until November 1995.

Furthermore, DOD has problems ensuring existing in-transit control procedures are followed. According to a May 1991 DOD Inspector General report, DPSC's Directorate of Medical Material reviews of discrepancy reports were ineffective and inconsistent and did not identify potential patterns of vendor abuse. This situation occurred, according to the report, because personnel did not follow procedures to identify the root causes of deficiencies and to document and report discrepancies, including potential procurement abuse. The Inspector General stated, for example, that vendors were not contacted concerning 24 of the 59 discrepancies that were due to nonreceipt of supplies.

Weak in-transit controls can lead to theft. In January 1991,⁶ for example, we reported that weaknesses in DOD's in-transit controls for shipments to a Defense Reutilization and Marketing Office permitted the theft of 20 jeeps to go undetected. In another case, investigators learned that employees of an Army depot stole items from the receiving area before they were logged

⁵Inventory Management: Problems in Accountability and Security of DOD Supply Inventories (GAO/NSIAD-86-106BR, May 23, 1986) and Inventory Management: Receipt Confirmation Problems (GAO/NSIAD-88-179, July 14, 1988).

⁶Property Disposal: Controls Needed to Preclude DOD Release of Unsafe Surplus M151 Jeeps (GAO/NSIAD-91-10, Jan. 2, 1991).

on the inventory and the loss could be detected by a physical inventory. The investigators also learned that the theft of an entire shipment was considered less risky than stealing parts of a shipment because the shipping documents could be discarded and the shipment presumed lost.

Physical Security Inadequacies Have Continued

Physical security is the first line of defense against theft. Physical security is also the last line of defense when other control measures are inadequate or have been circumvented. Our work has shown that inadequate physical security has been a long-standing problem within the DOD supply system. Recent thefts from the Norfolk Naval Supply Center in Virginia, the Hill Air Force Base in Utah, and the Red River Army Depot in Texas demonstrate that it has continued to be a problem.

A criminal investigation was initiated at the Norfolk Naval Supply Center after an informant disclosed a theft ring had been operating there for at least 4 years. The thefts were committed by DOD employees and others and were facilitated by inadequate physical security. For example, employees driving government vehicles were allowed free movement across the base, which permitted them to transport stolen items off the base. As a result of this investigation, physical security at the depot has been improved. Improvements include additional security personnel, surveillance cameras, roving patrols, and random vehicle inspections.

Our report⁷ on thefts at Hill Air Force Base stated that physical security at the base was not sufficient to protect assets from theft. As a result of their investigation, base officials took several actions to improve physical security. Actions include installing more secure locks, increasing the number of security checks, separating one storage area from the central inventory area, and fencing off some storage areas within warehouses.

Concerning the theft of electronics, computers, and small arms parts from the Red River Army Depot, we reported⁸ on the need for improved physical security measures. We found material was routinely left on loading docks at night, even though effective measures were not in place to control employee access to the warehouse area. No random gate checks of employee vehicles were conducted, employee parking was scattered throughout the warehouse area, and the security force was understaffed and could not effectively patrol warehouse areas, especially at night. In

⁷Internal Controls: Theft at Three Defense Facilities in Utah (GAO/NSIAD-91-215, Aug. 22, 1991).

⁸Inventory Management: Strengthened Controls Needed to Detect and Deter Small Arms Parts Thefts (GAO/NSIAD-91-186, July 17, 1991).

commenting on this report, DOD said the Army Materiel Command is monitoring implementation of corrective actions by the Red River Army Depot.

In March 1990, we reported⁹ that inadequate physical security was among the serious recurring problems that continued to impede DOD's ability to effectively control its inventory. We summarized six reports dating from 1980 in which we stated that physical security was inadequate at DOD installations and that improvements in accountability and controls over supplies were needed. DOD took steps to improve controls.

In November 1990, we reviewed¹⁰ controls over small arms parts by the New York Army National Guard. We found that the physical security at some of the installations we visited was inadequate to protect small arms parts. The deficiencies we found included

- poor facility access controls,
- inadequate perimeter fencing,
- doors and windows inadequately secured,
- no building alarm systems,
- no guards during duty or off-duty hours, and
- stock stored outdoors in an unsecured area.

In responding to this report, DOD stated that cipher coded locks were installed on all warehouse doors, picture badges were issued to authorized personnel, fenced outside storage areas were padlocked, ground level windows were barred, and burglar alarm systems were installed.

Conclusions

DOD's annual reports to the Congress on control and security of supplies did not include the value of in-transit supplies for which accountability had been lost. While not specifically requested by the Congress, information on in-transit losses is needed for a comprehensive assessment of the inventory's risk to theft. Also, the reports did not include the circumstances surrounding individual criminal cases involving DOD supplies. DOD officials stated that information on the circumstances surrounding individual cases is only available at the investigating agency.

⁹Defense Inventory: Top Management Attention is Crucial (GAO/NSIAD-90-145, Mar. 26, 1990).

¹⁰Defense Inventory: New York Army National Guard Weapons Parts (GAO/NSIAD-91-28, Nov. 30, 1990).

Criminal investigators and logistics officials stated that theft is not a major problem in DOD. They believe that the level of documented theft is small relative to the size of the inventory, that physical inventory adjustment losses are small relative to the value of material inventoried, and that inventory losses indicate a paperwork rather than a theft problem.

Over the last 5 years, reports by us and others have identified weaknesses in the implementation of DOD's physical inventory programs, in-transit controls, and physical security programs, which created opportunities for theft. In addition, recent criminal investigations by the Federal Bureau of Investigation and DCIOs have disclosed major organized thefts of supply system assets that went undetected for years. These thefts indicate that DOD should give a high priority to identification and correction of weaknesses in the implementation of systems for safeguarding assets and detecting theft.

Matter for Congressional Consideration

The Congress may want to consider continuing the requirement for an annual report until physical inventory, in-transit control, and physical security problems are improved. In addition, to increase the report's usefulness in assessing the risk of supply system assets to fraud and abuse, the Congress may want to consider requiring that the report include (1) a summary description of the circumstances surrounding major theft cases, for example, cases involving losses greater than \$1 million or sensitive and classified items, and (2) the value of and an analysis of in-transit losses.

Adjustment Data Could Be Used to Identify High-Risk Facilities

DOD requires the military services and DLA to analyze physical inventory adjustments and in-transit discrepancies to identify and eliminate their causes. Our analysis of physical inventory adjustment information indicates that it can be used to identify depots with potential control or security problems. In addition, a DLA analysis of causative research information indicates that it can also lead to identification of actual or potential theft.

DOD's Investigation and Security Resources

DCIOs investigate criminal activities that range from violent crimes to procurement fraud. DCIO officials informed us that supply system theft is not a high priority. Defense, Air Force, and Navy investigators said that it is more prudent to allocate resources to the investigations with a higher payback such as procurement fraud.

DOD also has a wide range of physical security needs. For example, many of the security officials at the 12 supply depots who responded to our questionnaire stated that physical improvements would enhance security at the depot. Eight respondents stated that they would like to hire additional security personnel, which would enable them to increase the frequency of patrols and vehicle searches, or install or upgrade equipment such as warehouse alarms and controlled-access systems. In addition, current DOD budgeting emphasis is on improving physical security for nuclear and chemical weapons. Security programs for other activities, such as supply depots, have a lower priority.

Inventory Adjustment Data Could Help Identify Problem Depots

DOD's May 1991 physical security regulation provides policy and procedures for safeguarding controlled items, including drugs and precious metals. Among other things, the regulation requires the military services and DLA to analyze loss rates through inventories to establish whether repetitive losses indicate criminal or negligent activity. In addition, DOD's March 1991 regulation on lost, damaged, or destroyed property also may, depending upon the circumstances, require such analyses. The regulation requires financial liability investigations when losses meet certain criteria. For example, investigations are required for repetitive losses when

- causative research indicates evidence of personal responsibility and
- the cumulative dollar value of the losses equals or exceeds the projected cost of the investigation.

In our work on small arms parts thefts,¹¹ we analyzed inventory data at four Army depots and found that one depot had large and consistent losses. Evidence strongly suggested that some of these losses were due to theft.

The total net inventory loss at this one depot—the Red River Army Depot in Texas—was more than 10 times greater than that at New Cumberland, the only other depot that experienced an overall net loss of parts. In addition, most of Red River's inventory adjustments—101 of 107—were for losses, whereas the other depots had a more balanced mix of losses and gains. Red River had no adjustments for about one-half the 30 weapons parts, primarily controlled items that were to be inventoried annually, suggesting that the depot either had good accountability or was not conducting physical inventories. In contrast, two of the remaining three had adjustments for almost all the 30 parts, and the last depot did not stock many of the parts.

We then analyzed inventory adjustments for DPSC and AMCCOM supplies to see if they would highlight specific depots. Our analysis identified certain depots with large overall net losses, which may indicate problems with inventory control or physical security, and which would be candidates for DOD investigation.

For DPSC's Medical Directorate, as shown in table 3.1, the Marine Corps Logistics Base at Albany showed the highest loss of physical inventory: about \$3.3 million of its total stock, which averaged about \$4.2 million during a similar period. Albany's net loss as a percent of total depot stock (78.6 percent) was very large because its inventory of medical supplies was reduced during the period.

¹¹Inventory Management: Strengthened Controls Needed to Detect and Deter Small Arms Parts Thefts (GAO/NSIAD-91-186, July 17, 1991).

**Chapter 3
Adjustment Data Could Be Used to Identify
High-Risk Facilities**

Table 3.1: Net Medical Supply Losses by Depot from Oct. 31, 1988, Through Oct. 31, 1990

Dollars in millions			
Depot	Amount of net loss	Percent of total depot stock	Percent of net loss for all depots
Albany	\$3.3	78.6	42
Mechanicsburg	2.4	1.0	31
Tracy	0.7	0.5	9
Ogden	0.7	1.3	9
All others	0.7	1.0	9
Total	\$7.8		100

Similarly, our analysis of inventory adjustments from DPSC's Clothing and Textiles Directorate showed that certain depots had much higher net losses than others. As shown in table 3.2, the Marine Corps Logistics Base at Albany again had the highest percent of net loss as compared to total stock.

Table 3.2: Net Clothing and Textile Losses by Depot from Oct. 31, 1988, Through Oct. 31, 1990

Dollars in millions			
Depot	Amount of net loss	Percent of total depot stock	Percent of net loss for all depots
Richmond	\$13.8	5	30
Albany	12.8	9	28
DPSC	6.0	7	13
Mechanicsburg	5.9	2	12
Memphis	4.5	1	10
Columbus	3.3	2	7
Total	\$46.3		100

For AMCCOM, we also found that certain depots had relatively large net losses compared to others as shown in table 3.3.

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Adjustment Data Could Be Used to Identify
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Table 3.3: Net AMCCOM General Supply Losses by Depot from Jan. 15, 1989, Through Jan. 8, 1991

Dollars in millions			
Depot	Amount of net loss	Percent of total depot stock (note a)	Percent of net loss for all depots
Red River	\$2.6		44
Letterkenny	1.1		19
New Cumberland	0.7		11
All others	1.3		22
Total	\$5.7		100

^aAMCCOM and Depot Systems Command officials were not able to provide average inventory levels for each depot.

Analysis of Loss Reports Could Help Identify Thefts

As discussed in chapter 2, DOD sometimes does not complete the causative research and investigations required to follow up on individual physical inventory losses. A case involving the Defense Depot at Tracy, California, illustrates how this information can be used to identify potential thefts and target investigative resources.

Depot security officials at Tracy analyzed physical inventory loss reports looking for trends—what was lost and where—and identified losses of medical supplies totaling over \$1.3 million as potential theft. An undercover operation labeled Operation Hypertension was initiated.

Between April 8, 1987, and September 22, 1989, closed circuit video monitoring and other undercover work disclosed that two depot supervisors, three depot warehouse employees, one truck driver, a used car dealer, and a dental wholesaler were involved in a conspiracy to defraud the U.S. government through systematic thefts from the depot. As a result of plea agreements and one trial, prison sentences totaling 31 years were imposed, as well as \$286,232 in assessed restitution. Additionally, a total of \$24,382 in cash and about \$114,402 in supplies were recovered from the defendants.

Conclusion

DOD has available data that can help it target its limited investigative and physical security resources to identify potential theft. We are not making a recommendation at this time because recent DOD regulations require the military services and DLA to analyze inventory adjustments and other data to identify potential thefts and help target investigative and physical

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security resources. We believe that, if implemented properly, these regulations will provide managers with an effective mechanism for identifying systematic and organized thefts.

Summary of Selected DCIO Investigations

Organized Thefts at Navy Installations

Investigators documented widespread and long-standing organized theft problems at three naval storage activities over several years. The property was stolen by Department of Defense (DOD) employees and sold to scrap dealers involved in the thefts. DOD estimates the losses were about \$4 million to \$6 million over at least 4 years. As of April 25, 1991, a total of 20 persons had been convicted, 3 had been indicted, and others were under investigation.

The investigation was initiated on the basis of an anonymous tip. Thefts had gone undetected for several years despite internal controls. The DOD employees used government vehicles to smuggle items off the base to six scrap dealers. The value of the items is unknown because of weak internal controls and the involvement of DOD employees. For example, at the Defense Reutilization and Marketing Office, one of the three facilities involved, the site manager, who had overall responsibility for record keeping, was involved in the thefts. At the naval supply center, another of the facilities, the base commander and other officials acknowledged that the record keeping was bad. They said that after the theft was brought to their attention, efforts to determine the amount of theft could not be completed because physical inventories, inventory control records, excess material records, and disposal records could not be reconciled. We were told that, of the approximately 200 thefts, only 2 were verified by inventory records.

Physical security was poor. For example, at the naval supply center, storage areas had no guards and officials said that they normally relied on the honesty of the employees and base security. However, as a result of the theft case, the center hired 18 security people, installed cameras, and instituted roving patrols and random vehicle inspections.

Organized Thefts at the Tracy Defense Depot

According to a Defense Logistics Agency (DLA) investigator, Operation Hypertension was initiated based on an analysis of physical inventory losses. An initial loss of propranol hydrochloride tablets valued at \$317,633 was detected in 1986. Subsequent medical supply losses totaled about \$1.3 million. Surveillance was initiated in 1987 and determined that five employees, including two warehouse supervisors, were involved in systematic thefts from the depot. Also involved were a truck driver who removed the items from the depot and a person who sold the items.

DLA employees prepared phony government bills of lading and loaded the items on a truck, according to an investigator. The items were then taken

to a used car dealer and sold to a dental supply wholesaler. The undercover operation ended when the individuals stole marked boxes of goods from the depot while being observed by investigators.

Tooling Equipment Losses at Rock Island Arsenal

According to an Army investigation report, in January 1989 two employees conspired to wrongfully dispose of surplus tooling equipment and supplies valued at about \$2.1 million. The supply diversion scheme was discovered when investigators found new and serviceable tooling bits, hand tools, and other items in six large containers marked scrap steel. One of the containers was in the process of being sent to the Defense Reutilization and Marketing Office. Subsequent searches disclosed about 50 pallets of serviceable excess property.

Items Lost During Shipment

According to an Air Force investigation report, on July 31, 1989, a private citizen reported that government supplies valued at about \$2.0 million had been abandoned at a storage facility in Oklahoma. Transportation documents showed that the items, which included missile targets and spare parts equipment, had been shipped in April 1989 to DOD consignees in California and a defense contractor in Massachusetts. The trucking company apparently placed the items in temporary storage and abandoned them when the storage facility demanded payment of storage fees.

A transportation official at one of the DOD installations that shipped the equipment stated that it had not received a transportation discrepancy report for the abandoned items and that the trucking company had been paid for delivering some of them. All items were subsequently shipped to the appropriate destination, and according to the investigation report, the U.S. Attorney's Office would not prosecute those involved since the property was recovered.

Summary of Selected GAO Reports

Internal Controls: Theft at Three Defense Facilities in Utah (GAO/NSIAD-91-215, Aug. 22, 1991)

As of March 1, 1991, the sting termed Operation Punchout, had disclosed 65 cases of unlawful sale or suspected theft and trafficking in government property. During the operation, undercover agents purchased 7,422 items of military equipment with a replacement value of \$13.8 million. These items included ammunition, clothing, night vision devices, and jet engines.

Internal control weaknesses at Hill Air Force Base, Tooele Army Depot, and the Utah National Guard allowed the thefts to occur. Among these weaknesses were inadequate supervision and resource control and lack of vigilance in security matters. The control structure broke down because regulations were not followed.

Inventory Management: Strengthened Controls Needed to Detect and Deter Small Arms Parts Thefts (GAO/NSIAD-91-186, July 17, 1991)

Small arms were susceptible to employee theft due to a combination of poor inventory controls, poor physical security, and inadequate oversight. Control weaknesses varied among the four Army depots, but small arms were especially vulnerable at Red River, where our inventory disclosed large and consistent losses. The likelihood that inventory losses are due to theft is much higher when inventory control weaknesses are found in tandem with poor physical security. At three of the four depots, security was generally not targeted to address the threat of employee theft.

Financial Audit: Financial Reporting and Internal Controls at the Air Logistics Centers (GAO/AFMD-91-34, Apr. 5, 1991)

The Air Force Logistics Command needs to strengthen its accounting for the billions of dollars worth of inventories under its control. Problems with inventory accuracy at DOD, including the Air Force, have been identified by us and others for years. While the Command has developed internal controls intended to provide more reliable inventory data for decision-making, our review showed that inventory accuracy continues to be a serious problem. We found an estimated 18.3 percent of perpetual inventory records differed from quantities actually in storage with estimated overstatements in inventory records totaling \$1.5 billion and understatements totaling \$0.8 billion as of September 30, 1989. Reports on inventory accuracy statistics to air logistics center top management presented an unrealistic picture. Inventory errors for which the cause was

identified in the inventory research process were excluded from final accuracy statistics. Thus, top managers were not receiving information that clearly depicted the severity of problems with inventory record inaccuracy.

Property Disposal: Controls Needed to Preclude DOD Release of Unsafe Surplus M151 Jeeps (GAO/NSIAD-91-10, Jan. 2, 1991)

The M151 jeep is considered by the Army to be one of the most dangerous vehicles in its inventory because it tends to turn over easily when driven on paved roads. For that reason, DOD has been trying since 1971 to keep civilians from owning M151 jeeps. We determined that DLA was not complying with DOD procedures to safeguard M151 jeeps sent to disposal offices nor with DOD's policy on the mutilation of M151 jeeps.

M151 jeeps are not being effectively controlled while being transferred from a military unit to a disposal office. The DOD Inspector General's Office and the Army Audit Agency have found that internal control procedures for property shipped between units and disposal offices are not working. They found that discrepancies in the records between what was sent and received were not being investigated. The lack of adherence to these and other internal control procedures increases the chance of theft. Additionally, we found that disposal offices were not following internal control procedures intended to safeguard M151 jeeps. As a result, commercial rebuilders have been constructing M151 jeeps and selling them to the public.

Defense Inventory: New York Army National Guard Weapons Parts (GAO/NSIAD-91-28, Nov. 30, 1990)

Following the conviction of two former New York Army national guardsmen for stealing small arms parts from a Guard repair shop over a number of years, and the indictment of two others, a former guardsman and a Rochester, New York, police captain, on related charges, we evaluated the New York Army National Guard's internal controls and physical security over small arms parts. We found that the Guard's internal controls and physical security neither prevented nor detected the thefts of small arms parts. Following the arrests of the former guardsmen, the Guard made changes to prevent further thefts. However, those changes have not resolved the problems associated with weak internal controls.

Defense Inventory: Top Management Attention Is Crucial
(GAO/NSIAD-90-145, Mar. 26, 1990)

In January 1990, the Comptroller General identified the DOD's inventory management as an area of particular risk for mismanagement, fraud, and abuse. The Office of Management and Budget has also identified this as a vulnerable area. This report summarized past work we have done in DOD's inventory management and related areas. Although DOD has taken corrective actions in response to our previous recommendations relative to accountability problems and security of DOD inventories, these corrective actions have not been effectively implemented, and the basic problems in DOD's inventory management remain. In the area of physical security, the report cites numerous reports we have issued on the need to improve physical security for DOD's inventory.

Items With Largest Net Losses

The following are the 20 items with the largest net losses on the basis of physical inventories at the Defense Personnel Support Center's Clothing and Textiles Directorate and Medical Material Directorate and the Armament, Munitions, and Chemical Command, excluding ammunition.

Table III.1: Clothing and Textile Items
(Oct. 31, 1988, Through Oct. 31, 1990)

Stock number	Item name	Net loss
8305-01-087-1329	Twill cloth	-\$8,629,234
8305-01-151-1864	Tropical cloth	-6,894,277
8305-00-144-5637	Balloon cloth	-3,599,799
8465-01-033-8057	Sleeping bag	-3,550,238
8305-00-150-2246	Tropical cloth	-3,043,583
8305-00-350-5673	Serge cloth	-2,792,521
8340-00-753-6438	Tarpaulin	-2,287,499
8430-01-198-1412	Combat boots	-1,881,696
8415-01-084-1643	Camouflage coat	-1,703,482
8430-01-198-1418	Combat boots	-1,500,143
8415-01-084-1642	Camouflage coat	-1,462,447
8305-01-157-1142	Tropical cloth	-1,202,504
8305-01-167-8403	Wind resistant poplin cloth	-1,178,072
8305-00-491-1047	Tropical cloth	-1,022,020
8340-00-951-6422	Tent frame section	-1,020,789
8305-00-080-8322	Sateen cloth	-854,732
8305-01-102-3933	Twill cloth	-811,783
8405-00-001-1550	Wet weather parka	-740,494
8305-01-031-9403	Twill cloth	-733,900
8415-01-137-1704	Chemical protective suit	-711,329
Total		-\$45,620,542

**Appendix III
Items With Largest Net Losses**

Table III.2: Medical Items (Oct. 31, 1988,
Through Oct. 31, 1990)

Stock number	Item name	Net loss
6545-01-182-3794	Medical material set	-\$2,901,664
6505-01-023-9995	Chloroquine and primaquine phosphate tablets	-918,490
6505-01-125-3248	Pralidoxime chloride injection	-516,592
8105-00-191-3902	Plastic bag	-362,573
6545-01-248-1023	Medical material set	-311,549
6515-01-156-2494	Spinal anesthesia set	-281,374
6505-01-050-3547	Cimetidine tablets	-268,047
6545-01-182-3832	Medical material set	-235,438
6530-00-937-2204	Field surgical light	-227,426
6545-01-102-6790	Medical equipment set	-220,056
7210-01-125-2594	Bath towel	-191,194
6545-01-094-8412	First aid kit	-182,803
6640-01-135-5071	Electrical water bath	-175,764
6505-00-134-2943	Unknown (discontinued item)	-168,293
6505-01-206-5979	Brompheniramine maleate and phenylpropanolamine hydrochloride	-159,403
6505-01-239-4689	Cromolyn sodium inhalation aerosol	-157,934
6910-01-194-7251	Nerve agent training kit	-157,680
6545-01-182-3793	Medical material set	-150,442
6505-00-162-1520	Yellow fever vaccine	-141,154
6545-01-141-9486	Medical equipment set	-135,119
Total		-\$7,862,995

Appendix III
Items With Largest Net Losses

Table III.3: AMCCOM General Supply
Items (Jan. 15, 1989, Through Jan. 8, 1991)

Stock number	Item name	Net loss
1005-00-992-7285	Bolt assembly	-\$1,160,845
4240-00-165-5026	Chemical-biological mask filter element set	-394,315
4240-00-994-8750	Mask, chemical-biological	-388,988
1285-00-782-9942	Klystron power amplifier	-374,480
1025-01-026-6648	Towed medium howitzer	-309,169
4940-00-159-8846	Shop equipment electronic equipment	-285,646
1240-01-132-1693	Body, gunner's sight	-278,676
5340-00-003-8312	Vent plug	-260,306
4240-01-143-2020	Mask, chemical-biological	-239,459
1240-01-264-2345	Thermal receiver	-221,562
5963-01-144-1501	Crystal controlled oscillator	-216,300
4910-00-912-3961	Run-In dynamometer	-212,435
1005-00-322-9715	50-caliber machine gun	-203,994
5999-01-118-3937	Generator assembly	-202,200
1010-01-159-0480	Primary power unit	-193,640
6920-00-657-7533	Trainfire target holding mechanism	-183,500
6625-01-225-8342	Test set subassembly	-174,992
9905-12-124-5955	Contamination sign kit	-172,384
2520-00-128-1439	Spool and sleeve assembly	-164,393
5180-01-108-1729	CBR equipment maintenance kit	-157,898
Total		-\$5,795,182

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