



DEPARTMENT OF DEFENSE

# AUDIT REPORT

ACCOUNTABILITY AND CONTROL OF MATERIEL  
AT DEPOT MAINTENANCE FACILITIES

No. 91-034

January 29, 1991

*Office of the  
Inspector General*





INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
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MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY (FINANCIAL  
MANAGEMENT)  
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL  
MANAGEMENT)  
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL  
MANAGEMENT AND COMPTROLLER)

SUBJECT: Report on the Audit of Accountability and Control of  
Materiel at Depot Maintenance Facilities  
(Report No. 91-034)

This is our final report on the Audit of Accountability and Control of Materiel at Depot Maintenance Facilities for your information and use. Comments on a draft of this report were considered in preparing this final report. The audit was made from August 1989 through July 1990. The audit objective was to evaluate the effectiveness of internal control policies and procedures used to account for and control materiel used by depot maintenance facilities. During FY 1989, the DoD budget for depot maintenance, including depot maintenance materiel, was about \$13 billion.

The Military Departments did not adequately account for and control materiel within depot maintenance facilities. Maintenance facilities were holding over \$319 million in unrecorded materiel. The accumulation of unrecorded materiel occurred over the course of many years and the savings from entering the newly found materiel on accountable records will probably be accomplished over several fiscal years. However, actions to correct the problems must begin immediately. In a June 30, 1990 memorandum, the Deputy Secretary of Defense emphasized the need to increase the efficiency and reduce the cost of the DoD depot maintenance operations. Better visibility of assets in the maintenance facilities should be a part of this plan. The results of the audit are summarized in the following paragraphs, and the details, audit recommendations, and management comments are in Part II of this report.

Management and control of materiel at DoD depot maintenance facilities were not adequate to ensure proper accountability. The six maintenance facilities we visited were holding about \$319 million in unrecorded materiel. We recommended that the Military Departments develop plans to inventory materiel at depot maintenance facilities (page 5).

The Air Force was not reporting material weaknesses, as they related to accountability and control of depot maintenance materiel, in its annual management control certifications. We recommended that the Commander, Air Force Logistics Command, require the depots to identify and report the problem of unrecorded materiel as a material weakness in their FY 1991 internal control certifications, if the value of the materiel exceeds the established targets for reporting material weaknesses, as suggested in DoD Directive 5010.38 (page 15).

The audit identified material internal control weaknesses as defined by Public Law 97-255, Office of Management and Budget Circular A-123, and DoD Directive 5010.38. Controls were not implemented to ensure that assets were adequately protected. Recommendations in this report, if implemented, will correct the more than \$319 million of internal control weaknesses. A copy of this report will be provided to senior officials responsible for internal controls within each of the Military Departments.

A draft of this report was provided to the Assistant Secretary of the Army (Financial Management), the Assistant Secretary of the Navy (Financial Management), and the Assistant Secretary of the Air Force (Financial Management and Comptroller) on September 25, 1990. The Assistant Secretary of the Navy (Research, Development and Acquisition) provided comments on November 21, 1990. The Air Force Deputy Chief of Staff (Logistics and Engineering) provided comments on December 5, 1990. Management comments are summarized below, and the complete texts are provided in Appendix B and C.

The Assistant Secretary of the Navy (Research, Development and Acquisition) nonconcurred with Recommendation A. to develop a plan to inventory materiel at depot maintenance facilities. The Navy stated that it recognized that proper procedures were not always being followed and that it was taking steps to ensure future compliance with established policies and procedures. We continue to believe that for these steps to be fully effective they must include a plan for conducting an inventory of the materiel on the depot maintenance floor and entering the unrecorded materiel in the accountable records. We request that the Navy reconsider its response to the recommendation and provide additional comments in response to this final report.

The Air Force Deputy Chief of Staff (Logistics and Engineering) concurred with the intent of Recommendations A. and B. but took exception to the sampling method used to compute the value of unrecorded materiel. The Air Force stated that while the problem of unrecorded materiel is very real, the value of unrecorded materiel is not as large as the amounts estimated. Our estimated amount was developed through the use of standard and widely accepted statistical sampling procedures. By conducting an inventory the Air Force will determine precisely

the full magnitude of unrecorded materials. We believe that the recommendations are still valid and request that the Air Force reconsider its position and provide additional comments in response to this final report.

The Army did not provide comments to the draft report. We request that Army respond to the final report indicating concurrence or nonconcurrence in Finding A. and Recommendation A. If you concur, describe the corrective actions taken or planned, the completion dates for actions already taken, and the estimated dates for completion of planned actions. If you nonconcur, please state your specific reasons. If appropriate, you may propose alternative methods for accomplishing desired improvements. We also ask that your comments indicate concurrence or nonconcurrence with the internal control weakness described above.

This report identified potential monetary benefits of \$2.7 million for Army programs, \$1.9 million for Navy programs, and \$314.9 million for Air Force programs (Appendix D). These monetary benefits resulted from unrecorded materials found at the depot maintenance facilities. The Navy took exception to the estimated \$1.8 million of savings identified at the Mare Island Naval Shipyard stating that the audit recommendation had no effect on the ultimate use of the equipment and any accrued savings. The Navy also stated that the \$88,500 of estimated savings identified at the Cherry Point Naval Aviation Depot could represent a cost savings if the materials were on the accountable records. The Air Force took exception to the sampling method used to estimate the amount of monetary benefits. We believe the monetary benefits are valid for the reasons discussed in Part II of this report. We ask that the Army provide comments and the Navy and the Air Force provide final comments on the estimated monetary benefits. The monetary benefits are subject to mediation in the event of nonconcurrence or failure to provide comments.

DoD Directive 7650.3 requires that all audit recommendations be resolved promptly. Therefore, final comments on the unresolved issues in this report should be provided within 60 days of the date of this memorandum.

The courtesies extended to the audit staff are appreciated. If you have any questions on this audit, please contact Mr. Dennis Payne on (703) 614-6227 (AUTOVON 224-6227) or Mr. Joseph Austin on (703) 614-6224 (AUTOVON 224-6224). A list of the Audit Team Members is in Appendix F. Copies of the final report are being provided to activities listed in Appendix G.



Edward R. Jones  
Deputy Assistant Inspector General  
for Auditing

Enclosure

cc:

Secretary of the Army  
Secretary of the Navy  
Secretary of the Air Force  
Assistant Secretary of Defense (Production and Logistics)  
Director, Defense Logistics Agency

REPORT ON THE AUDIT OF  
ACCOUNTABILITY AND CONTROL OF MATERIEL  
AT DEPOT MAINTENANCE FACILITIES

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Prepared by:  
Logistics Support Directorate  
Project No. 9LB-0062

REPORT ON THE AUDIT OF ACCOUNTABILITY AND  
CONTROL OF MATERIEL AT DEPOT  
MAINTENANCE FACILITIES

PART I - INTRODUCTION

Background

DoD's FY 1990 budget for depot maintenance is about \$13 billion. A significant portion of the budget is for materiel used in the repair and overhaul processes at the 27 depot maintenance facilities.

Each depot maintenance facility has storage areas for maintaining inventories of various materiel. The maintenance facility should maintain the on-hand balances of authorized "shop stock" on its accountable records. As the shop stock is used, it is dropped from accountable records and should be charged to specific maintenance programs. DoD Directive 4140.1, "Inventory Management Policies," October 12, 1956, requires depot maintenance facilities to periodically inventory storage areas and maintenance shop floors.

Inventory control is important because materiel not needed for current requirements at a depot can be made available to inventory managers for redistribution to meet other known requirements. Through better asset visibility and the control of selected items, inventory managers are better able to determine exact materiel requirements, to determine the location of materiel, to control excesses, to improve the budgetary process, and to provide maximum return on investments. In addition, without accurate inventories, proper management decisions cannot be made and unauthorized diversion of assets could go undetected.

As a part of the Defense Management Review, the Deputy Secretary of Defense, in his June 30, 1990 memorandum, "Strengthening Depot Maintenance Activities," emphasized the need to increase the efficiency and reduce the cost of DoD depot maintenance operations. He directed that the Secretaries of the Military Departments prepare and submit to the Assistant Secretary of Defense (Production and Logistics), by October 1, 1991, a plan for financial management, inventory control, and other information needs for depot maintenance activities that maximize the exchange of information among depots within DoD. Better visibility of assets through inventory and accountability in the maintenance facilities, as recommended in this report, should help accomplish the objectives of the Deputy Secretary of Defense's memorandum.

## Objective and Scope

The audit objective was to evaluate the effectiveness of internal control policies and procedures used to account for and control materiel used by depot maintenance facilities.

The audit primarily concentrated on reparable and consumable parts used at six randomly selected depot maintenance facilities. The 6 facilities were selected from the 27 DoD maintenance facilities. The 27 DoD facilities reported a total inventory balance of about \$1.2 billion as of September 30, 1989. We visited four additional facilities during the audit survey; however, because of the limited amount of data obtained, we are not using survey data from those four facilities in this report.

To determine if materiel were accurately accounted for and controlled on formal records, we inventoried materiel at each of the six maintenance facilities. At each location, we used the most current available records for performing the inventory. We determined unit prices by using the supply records and the Federal Catalog. We statistically selected items from parts listings of items issued by the supporting supply activity. We traced those selected items from accountable records to their final disposition. We selected an additional sample of items located on the depot maintenance floor to determine if the materiel were included in the accountable records. We also reviewed FY 1989 internal control certifications submitted by the six maintenance facilities to determine if responsible managers were identifying and reporting any material weaknesses in annual internal control certifications. In addition, we evaluated the conditions disclosed in prior audit reports to determine if the conditions still existed.

This economy and efficiency audit was made from August 1989 through July 1990 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD, and accordingly, included such tests of internal controls as were considered necessary. Activities visited or contacted during the audit are listed in Appendix E.

## Internal Controls

We evaluated internal controls over depot maintenance materiel by determining if controls existed to ensure that materiel were adequately accounted for and controlled. We reviewed records to determine if depot maintenance materiel were recorded to show receipts, issues, and consumptions. We found internal control weaknesses in accounting for materiel and in identifying and reporting material weaknesses to the appropriate management level. The weaknesses are discussed in Part II of this report.

### Related Audit Coverage

The problem of inadequate controls over depot maintenance materiel has been an ongoing problem and still exists within the Military Departments. There were a number of reports covering deficiencies in the management and control of materiel. A summary of the most recent reports is in Appendix A.

Our ongoing audit of Supply Support of Aviation Components Awaiting Parts (Project No. 9LB-0050) also relates to this subject. The audit is evaluating the effectiveness of the systems established to manage aviation components in an awaiting parts status at aviation depots.

### Other Matters of Interest

On May 31, 1990, we issued Quick-Reaction Report No. 90-078, "Accountability and Control of Reclaimed B-52 Assets, Tail Number B52G-58-0190." The report addressed the lack of accountability and control over assets valued between \$2.4 million and \$15.1 million reclaimed from a fire damaged B-52 aircraft at the San Antonio Air Logistics Center. We recommended that the Air Force develop a comprehensive listing of assets removed from the aircraft; initiate action with the item manager to review requirements for assets removed from the aircraft; and provide disposition instructions, as appropriate. The Air Force agreed with the finding and recommendations. The Air Force has completed implementation of the recommendations and has identified \$9.2 million in reclamation savings.

We also issued an advisory memorandum, "F-100 Engine Blades," March 30, 1990, to the Commander, San Antonio Air Logistics Center, stating that there were about 610,000 used F-100 engine blades within the maintenance facility at San Antonio Air Logistics Center that were not recorded on accountable records. The blades had undergone an initial inspection and had been determined to be suitable candidates for reconditioning. The Air Force responded in a July 6, 1990 memorandum that 698,000 blades had been inventoried. The Air Force's response indicated that about \$9.5 million of blades were considered available to be repaired for the item manager stockage requirements. Air Force personnel stated that actions had been taken to reduce purchase requests and terminate contracts of about \$6.2 million. At the time of the audit, Air Force officials were reviewing the remaining \$3.3 million for potential reduction in purchase request quantities and termination actions.

## PART II - FINDINGS AND RECOMMENDATIONS

### A. Unrecorded Materiels at Depot Maintenance Facilities

#### FINDING

Management of materiels at DoD depot maintenance facilities was not adequate to ensure proper accountability and control of materiels. This condition occurred because the Military Departments had not developed plans or followed existing plans, to systematically inventory materiels within the depot maintenance facilities. As a result, the six depot maintenance facilities visited were holding over \$319 million of materiels not recorded on accountable records.

#### DISCUSSION OF DETAILS

Background. DoD Directive 4140.1, "Inventory Management Policies," October 12, 1956, establishes policy for the management of inventories of materiel and is applicable to all DoD activities worldwide. The Directive states that each Military Department shall maintain records for each supply item in such a manner that its inventory composition can be ascertained on a quantitative and monetary basis with respect to condition and purpose for which held. Generally, items held in stock shall be physically inventoried at least once each year. Exceptions to the rule will be permitted for slow-moving, nonperishable, and low dollar value items. Inventory records and reports will be promptly reconciled on the basis of physical inventories.

Materiels are generally classified as reparable or consumables. Reparables are repaired through depot level maintenance and are normally exchangeable on a one-for-one basis. Unserviceable reparable are turned in to supply for serviceable reparable. Consumables are generally not repaired and are considered consumed when issued to maintenance.

Maintenance Shop Floors. The depot maintenance facilities did not adequately account for and control materiels once issued to maintenance shop floors. To determine if depot maintenance materiels were accurately accounted for and controlled, we randomly selected the San Antonio Air Logistics Center, Oklahoma City Air Logistics Center, Corpus Christi Army Depot, Tooele Army Depot, Mare Island Naval Shipyard, and Cherry Point Naval Air Station for review. We inventoried materiels on the maintenance shop floors in order to determine if materiels were being held outside approved storage areas and not included on accountable records. Our review concentrated on reparable materiels; however, we included consumable materiels because it was not always possible to determine the type of materiel when the physical inventory was being performed. We selected at least

38 items at each facility. We determined that materiel were not adequately accounted for and controlled at each of the facilities included in our sample.

San Antonio Air Logistics Center. The San Antonio Air Logistics Center had an overall lack of accountability and control of materiel on its maintenance shop floors. For example, we found about \$233 million worth of unrecorded materiel stored in an automated storage and retrieval system, commonly known as the "stacker." The stacker consisted of 5,500 bins and included engine parts, fixtures, and special tooling. San Antonio Air Logistics Center did not have a comprehensively priced inventory listing of the items in the stacker. The materiel were off record and could not be traced to end items. Also, the materiel were not recorded in the Retail Stock Control and Distribution System (D033) and therefore were not visible to the item manager. Consequently, the materiel were not considered in determining DoD requirements. Records were not available to show that the stacker had been inventoried.

Based on a sample of 51 of the 5,500 bins, we determined that the stacker was being used to hold about \$233 million of unrecorded materiel. We found parts that could be used to meet current DoD requirements. For example, we found 610,000 F-100 engine compressor blades stored in the stacker. Defense Contract Administrative Services Management Area personnel advised us that the blades could be inspected and reconditioned for about \$10.00 each under existing technical orders. New blades could be purchased for about \$32.00 each. In a March 30, 1990 memorandum, we requested that the Commander, San Antonio Air Logistics Center, direct that the blades be reconditioned instead of purchasing new blades. On July 6, 1990, the Commander responded to our memorandum acknowledging that some blades could be reconditioned instead of purchasing new ones. The memorandum stated that 698,000 blades had been inventoried. The Air Force's response indicated that about \$9.5 million of blades were considered available to be repaired for the item manager's stockage requirements. Air Force personnel stated that actions had been taken to reduce purchase requests and terminate contracts worth about \$6.2 million. At the time of the audit, Air Force officials were reviewing the remaining \$3.3 million for potential termination actions.

Another example of unrecorded assets or items off records was identified in Quick-Response Report No. 90-078, "Accountability and Control of Reclaimed B-52 Assets, Tail Number B52G-58-0100," May 31, 1990. The report identified the loss of accountability and control of reclaimed assets valued between \$2.4 million and \$15.1 million from a fire damaged B-52 aircraft.

Oklahoma City Air Logistics Center. The Oklahoma City Air Logistics Center did not adequately account for and control materiel on its maintenance shop floors. For example, the depot's propulsion division used 17 stackers to store maintenance materiel. Oklahoma City Air Logistics Center did not have comprehensively priced inventory listings for the 17 stackers. We found about \$81.9 million of unrecorded materiel stored in four of the stackers.

We reviewed 111 National Stock Numbers (NSN's) from 4 stackers to determine if the items were accurately accounted for. We determined that materiel stored in the stackers were off record, were not recorded in the D033 system, and could not be identified to any end items undergoing repair. Of the 111 NSN's, 21 were being procured on contracts valued at \$15.3 million. We asked the maintenance personnel if any of the materiel found in the stackers could be released to the item manager, who had immediate needs for the materiel. The response was that all materiel in the stackers had been paid for and belonged to maintenance. This is not entirely true because the Depot Maintenance Industrial Fund does not buy reparable items. A significant number of items in the stackers were reparable; therefore, the items could not have belonged to maintenance and could have been made available to the item manager to satisfy existing requirements.

We were also advised that the unrecorded materiel were part of end items undergoing repair. Maintenance personnel attempted to confirm this by selecting three of the components in the stacker. The maintenance personnel inventoried the end items and tried to match them with appropriate stacker components. The result indicated that the stacker items could not be identified to end items undergoing repair. They were off-record spare parts that should have been made available to item managers. We estimated the value of unrecorded materiel stored in the stackers to be about \$81.9 million. We also found no evidence that periodic physical inventories were performed.

Corpus Christi Army Depot. There was a general lack of accountability and control of materiel at Corpus Christi Army Depot. We judgmentally selected 107 NSN's for our review: 42 record-to-floor samples, 41 floor-to-record samples, and 24 Automated Storage and Retrieval System (ASTORS) samples. We counted sample items and reviewed procurement histories to determine the number of requisitions, issues, receipts, and turn-ins for all of the sample items. We found that the work centers were not maintaining records of on-hand inventory balances and records of issues and receipts. Inventories were not performed and, consequently, necessary inventory adjustments were not made. Because management did not have required inventories and shop stock lists with on hand balances, management could not maintain adequate visibility over critically needed parts or conduct required stock level reviews. For

example, on 1 of the floor-to-record samples, we counted 27 aircraft winches (NSN 1680-01-141-7615) with a unit price of \$31,299 each. The work center had no records showing the number of items that were, or should have been, on hand. The procurement history showed that one program had a requirement for one such item. However, there were no procurement actions for the past 2 years. Maintenance Personnel advised us that the Army's Standard Depot System considers repair parts issued to maintenance as consumed. The parts are dropped from the accountability records and should be charged to a specific maintenance program. If the aircraft winches had been charged to specific programs, the depot customers would have been overcharged by the value of the unconsumed aircraft winches.

The ASTORS contained approximately 4,000 pallets of items. About 800 pallets were used for storing tools, dies, and other tooling related items. The remaining 3,200 pallets were used for storing aircraft parts. We were unable to obtain a dollar value for ASTORS because items entered into the system did not have corresponding unit prices. We selected 24 NSN's from ASTORS for review and found about \$2.4 million of unrecorded materiel for the 24 NSN's. The ASTORS inventory listing showed that there were 98 pallets containing items with the 24 NSN's. We counted items on 38 of the 98 pallets to determine the accuracy of inventory listings. We found that the inventory records for 9 of the 38 pallets were inaccurate. For example, the inventory report showed that 236 blades (NSN 2840-01-009-3718), valued at \$44.00 each, were on hand. A physical count showed that 2,128 blades were on hand. The inventory report showed that 600 fittings (NSN 1560-00-556-5241), valued at \$1,629 each, were on hand. A physical count showed that 190 fittings were on hand. We also noted that a pallet should have had 30 hubs (NSN 1615-00-930-5215), valued at \$1,870 each, on hand. The pallet could not be located in the system. The ASTORS inventory listing indicated that items were stored in ASTORS for as long as 365 days without being reviewed. According to local guidance, the pallets were to be reviewed every 90 days with decisions being made whether to retain or dispose of the items.

Conditions that existed at the time of the audit were also addressed in previous Army Audit Agency Report Nos. SW 87-23, "Supply Operations, Corpus Christi Army Depot," July 24, 1987, and NE 89-6, "Depot Automated Storage and Retrieval System Tobyhanna Army Depot," March 24, 1989 (see Appendix A).

Tooele Army Depot. The Tooele Army Depot did not have adequate accountability and control over depot maintenance materiel. We judgmentally selected 38 NSN's for review and found about \$339,000 of materiel that were not recorded on accountable records. This represented about 90 percent of the materiel counted. For example, we counted six engines (\$25,405 each) that had gone through the reclamation process

within the engine rebuild branch. We were advised that the six engines had been certified to three programs and could be accounted for by serial numbers. When we requested the records for review, cognizant personnel agreed that only three of the six engines were recorded on accountable records. For another sample, we counted 19 cycle control boxes (\$803 each) within the engine branch. None of the boxes were recorded on inventory records.

Our review further showed that a major portion of the materiel reviewed during the audit was left from previous programs. At the time of the audit, management had no need for the materiel. The materiel should have been either transferred to another program, returned to the item managers, or disposed of. Based on available documentation, we also noted that physical inventories were incomplete or not performed.

On May 10, 1990, Tooele Army Depot's Internal Review and Compliance Office issued Report No. TE-IR-44-90, "Audit of the Maintenance Shop Floor System," which identified internal control weaknesses valued at \$7.3 million.

Mare Island Naval Shipyard. The Mare Island Naval Shipyard lacked overall accountability and control of materiel within its maintenance shops. We noted during our review that the electronics shop had a substantial number of expensive items on hand that were not recorded on any accountable records or traceable to any project. The items included new sonar equipment. Also, the items included radio equipment that had been removed from overhauled ships. Some pieces of equipment had been on hand for as much as 5 years. The sonar equipment was purchased for the U.S.S. Seawolf, but was never used because the ship was decommissioned. Two sonar equipment units valued at \$1.8 million had been in the electronics shop since September 25, 1986. Navy personnel stated that one unit would be used on the Pacific Escort project, and the other unit would remain in storage while being considered for use on a project scheduled for production in 1991.

We were unable to quantify the cost of the equipment found in the electronics shop because proper records were not maintained. We were advised that some of the materiel could be repaired and put back into supply for future use. Navy personnel advised us that equipment was not turned in because funds were never allotted for the preparation and shipment of the materiel. We noted a memorandum dated April 3, 1990, from the electronics shop superintendent to the electronics shop supervisor, concerning his inability to turn in excess materiel at the shipyard. On June 29, 1990, the Commander, Mare Island Naval Shipyard, in response to a DoD Inspector General letter of May 8, 1990, provided comments concerning unrecorded materiel identified

during our audit. He stated that the \$1.8 million of sonar equipment would be used on other projects. However, other materiel in question had been inventoried and found to have no value. The materiel were turned in for disposal.

Cherry Point Naval Aviation Depot. The Cherry Point Naval Aviation Depot had adequate accountability and control over the requisition, issue, and turn in of its Aviation Supply Office managed reparable items; that is, the items were on accountable records. However, accountability and control of materiel in work centers, primarily consumables and reparables managed by inventory control points other than Aviation Supply Office were generally inadequate. We reviewed 150 NSN's using record-to-floor and floor-to-record samples. For the record-to-floor samples, we statistically selected 75 NSN's managed by Aviation Supply Office using a listing provided by the depot supply office. We performed physical counts; reviewed requisitions, issues, receipts and turn-in documents; and performed reconciliations. We concluded that the items were accurately recorded on the records.

For the floor-to-record samples, we judgmentally selected 75 NSN's from various work centers for review and counted the items that those NSN's represented. The samples included both reparables and consumables. We also reviewed requisitions, issues, receipts, turn-in documents and performed reconciliations. We concluded that 49 of the items were not adequately accounted for. For example, maintenance personnel had materiel on hand, but did not have records of receipt or records for any issues for 49 of the 75 sample items. There were no procurement histories for 26 of the 75 sample items. For eight items, neither supply nor maintenance personnel had any type of accountable records. Maintenance personnel advised us that 11 sample items valued at \$88,500 had no known current requirements and should be considered available for turn-in and redistribution by item managers.

Conclusion. The Military Departments did not adequately account for and control depot maintenance materiel. Therefore, unrecorded materiel could not be adequately managed. When materiel are not adequately managed, they lose their visibility and are not available to item managers to meet other known requirements. In addition, without accurate inventories, proper management decisions cannot be made, and unauthorized diversion of assets could go undetected.

#### RECOMMENDATIONS FOR CORRECTIVE ACTION

We recommend that the Commander, Army Materiel Command; the Deputy Chief of Naval Operations (Logistics); and the Commander, Air Force Logistics Command, develop an inventory plan to

systematically inventory the materiel on the depot maintenance floors. At a minimum, the plan should include:

1. A milestone plan for inventorying materiel.
2. Procedures for performing inventories, reconciling differences, and correcting accountable records.
3. Procedures for identifying assets excess to maintenance needs.
4. Procedures for returning materiel to the item managers.
5. Instructions to the item managers for reducing outstanding procurements by offsetting requirements with newly found materiel.

#### MANAGEMENT COMMENTS

The Army did not provide comments.

The Assistant Secretary of the Navy (Research, Development and Acquisition) nonconcurred, but stated that it recognized that proper procedures were not always being followed at shipyards and aviation depots. The Navy further stated that it is taking steps to ensure future compliance with established policies and procedures through inspections and management control programs. The Navy does not believe that the recommendation to establish an inventory plan for materiel on maintenance shop floors is warranted because the requirement is already satisfied by existing stock management policies and procedures at Naval shipyards and aviation depots. The Navy also took exception to the estimated \$1.8 million of savings identified at the Mare Island Naval Shipyard stating that the audit recommendation had no effect on the accountability of the sonar equipment and ultimate use of the equipment. The Navy also stated that the \$88,500 of estimated savings identified at the Cherry Point Naval Aviation Depot could represent a cost savings if the materiel were on the accountable records. The full text of the Navy's comments is in Appendix B.

The Air Force Deputy Chief of Staff (Logistics and Engineering) concurred with the intent of the recommendation and stated that the Air Force had some component parts that were excess to the end items undergoing repair and the parts should be identified to the item manager for release to supply. The Air Force disagreed on the need for visibility of the component parts stored in the stackers until they can be repaired or reassembled into the next higher assembly. The Air Force stated these items are not visible to the item managers, nor should they be, and therefore are not recorded in the D033 system. The Air Force also took

exception to the sampling method used to estimate the reported unrecorded materiels. The Air Force stated the sampling method used to compute the reported excess amount is meaningless because all stacker bins do not contain identical items. The full text of the Air Force's comments is in Appendix C.

#### AUDIT RESPONSE TO MANAGEMENT COMMENTS

Navy. Concerning the Navy's nonconcurrency, we found that the existence of stock management policies and procedures at Naval shipyards and aviation depots have not ensured that materiels are adequately accounted for and controlled at the maintenance facilities. In its comments, the Navy recognized that in some instances proper procedures are not being followed. The Navy also stated that it was taking steps to ensure future compliance with established policies and procedures through internal inspections and management control programs. Further, at one location accountability for the materiel is being transferred to the Navy Industrial Materiel Management System. We continue to believe that for these steps to be fully effective they must include a plan for conducting a systematic inventory of the materiels on the depot maintenance floors.

With respect to the Navy's disagreement with the estimated \$1.8 million of cost savings at the Mare Island Naval Shipyard, the two sonar equipment units in question had been in the electronic shop since September 25, 1986. The Navy item manager for the sonar equipment did not know that the equipment existed until our inquiry. You need to have asset visibility to plan the ultimate use of the equipment. The Commander, Mare Island Naval Shipyard, in his June 29, 1990 response to our inquiry, stated that the \$1.8 million of sonar equipment would be used on other projects. We were pleased that, as a result of our inquiry, the sonar equipment will now be used. With respect to the Navy's comments that the estimated savings of \$88,500 at the Cherry Point Naval Air Station could represent a cost savings if the materiels were visible, our recommended actions to take an inventory and enter unrecorded materiels in the accountable records would result in this visibility. These facts support our estimated cost savings.

We request that the Navy reconsider its position on the recommendation and monetary benefits and provide additional comments in response to this final report.

Air Force. We disagree with the Air Force's position that there is not a need for visibility of component parts stored in the stackers until they can be repaired or reassembled into the next higher assembly. We believe that all items stored in the stackers, including items related to end items under repair, should be recorded on accountable records that maintain their visibility. Recording them in the D033 system is one method of maintaining this visibility. The need for this visibility is

detailed in the report by the inability of maintenance personnel at the Oklahoma City Air Logistics Center to identify three parts they randomly selected from the stackers to any specific end items undergoing repairs. We had been initially advised that these materiel items were parts of end items undergoing repair. It is also illustrated by our finding that despite the intent that the stackers be used only for temporary storage that some unrecorded materiel items have remained in the stackers for lengthy periods. For example, as discussed in the report, we found that 610,000 unrecorded F-100 engine compressor blades had been stored in the stackers at the San Antonio Air Logistics Center for lengthy periods. When we brought this matter to the attention of the Commander, San Antonio Air Logistics Center, he was able to initiate actions to immediately stop procurements for \$6.2 million of unneeded additional blades. The Commander also reported he is reviewing the need for additional planned blade procurements valued at \$3.3 million. Our recommended actions will result in the necessary visibility that will preclude unnecessary procurements from occurring.

We also disagree with the Air Force's position concerning our statistical sampling procedures. Our statistical sampling method took into consideration the variability of items within the depot storage bins. Using standard and widely accepted statistical sampling procedures, our sample sizes were sufficient to estimate with a 90-percent degree of confidence that the amount of unrecorded materiel at the San Antonio Air Logistics Center ranged from \$149 million to \$317 million (with a midpoint of \$233 million), and that the amount of unrecorded materiel at the Oklahoma City Air Logistics Center ranged from \$62.1 million to \$101.7 million (with a midpoint of \$81.9 million). By conducting an inventory the Air Force will determine precisely the full magnitude of the amount of unrecorded materiel.

We request that the Air Force reconsider its position on the recommendation and monetary benefits and provide additional comments in response to this final report.

## B. Reporting of Material Internal Control Weaknesses

### FINDING

The Oklahoma City Air Logistics Center and the San Antonio Air Logistics Center did not report material weaknesses, as they related to accountability and control of depot maintenance materiel, in their FY 1989 management control certifications. This condition occurred because Oklahoma City Air Logistics Center and San Antonio Air Logistics Center were not aware of the magnitude of their problems. As a result, material internal control weaknesses of over \$314 million were not reported to the next higher level of management.

### DISCUSSION OF DETAIL

Background. DoD Directive 5010.38 "Internal Management Control Program," April 14, 1987, states that each DoD Component shall implement a comprehensive system of internal management control (IMC) that provides reasonable assurance that assets are safeguarded against waste, loss, unauthorized use, and misappropriation. The Directive requires each DoD Component to submit an annual internal control certification stating that assets are adequately protected or report any material weaknesses. The Directive states that the annual statement of assurance shall be based on an evaluation conducted by the activity and shall consider the IMC weaknesses disclosed by all sources, including management studies; DoD Component audits, inspections, investigations, or internal review reports; and IG, DoD, and General Accounting Office reports. The Directive states that two conditions must exist to satisfy the requirement for reporting a material weakness: the internal controls do not provide reasonable assurance that the objectives of IMC program are being met, and the condition requires the attention of the next higher management level. The suggested targets for reporting material weaknesses are: at DoD Components, a threshold of \$250,000 for monetary problems should be considered a material weakness; at the DoD level, the problems should appear in more than one DoD Component and amount to \$2 million or more, or be seen in a nationwide scope; and at Major Commands, the problems should have thresholds of \$150,000 or three installations should have the same weaknesses with a potential loss of \$50,000 each.

Air Force's Implementation of DoD Directive 5010.38. Air Force Regulation 15-1, "Air Force Internal Controls," October 29, 1986, implements DoD Directive 5010.38 and requires all Air Force activities to have adequate, working, and cost-effective internal controls as a part of their management process. The Regulation states that if potential material weaknesses are detected during the course of evaluating internal controls, it is important that they be reported immediately to the next higher level of

management. The Regulation suggests that potential losses of \$500,000 at the Air Force Level should be considered a material weakness. A potential loss of \$250,000 at the Major Command Level should be significant. A potential loss of \$100,000 at the Installation or Activity Level should be considered a material weakness.

Air Force's Reporting of Material Weaknesses. Oklahoma City Air Logistics Center and San Antonio Air Logistics Center did not report material weaknesses in the area of depot maintenance materiel in their FY 1989 internal control certifications, as required by DoD Directive 5010.38 and Air Force Regulation 15-1. We identified about \$81.9 million of unrecorded materiel at Oklahoma City Air Logistics Center and about \$233 million of unrecorded materiel at San Antonio Air Logistics Center, which we believe should have been reported as material weaknesses. We recognize that in both cases, the accumulation of unrecorded materiel occurred over many years and management was not aware of the significance of the problem. However, unrecorded materiel need to be identified and recorded on accountable records because proper management decisions cannot be made, and unauthorized diversion of assets could go undetected.

#### RECOMMENDATIONS FOR CORRECTIVE ACTION

1. We recommend that Commander, Air Force Logistics Command, require that the Air Force depots report the unrecorded materiel as material weaknesses in their FY 1991 internal control certifications since the value of the materiel exceeds the established targets for reporting material weaknesses in accordance with DoD Directive 5010.38, "Internal Management Control Program."

2. We recommend that Assistant Secretary of the Air Force (Financial Management and Comptroller) track the status of corrective actions until the problems concerning unrecorded materiel are resolved.

#### MANAGEMENT COMMENTS

The Air Force Deputy Chief of Staff (Logistics and Engineering) concurred with the intent of the recommendation, but stated that while the problem of excess materiel is very real it is not as large as the estimated amount of \$314.9 million. The full text of the Air Force's comments is in Appendix C.

#### AUDIT RESPONSE TO MANAGEMENT COMMENTS

We believe, for the reasons stated in response to the comments received from the Air Force on Finding A, that our estimated amount of unrecorded materiel is valid. The systematic inventory that we recommended in Recommendation A. will determine

the full extent of unrecorded materials. The amounts of unrecorded materials are significant enough to be reported as material weaknesses in the internal control certifications. Therefore, we are requesting that the Air Force reconsider its position and provide additional comments in response to this final report.

## RELATED AUDIT COVERAGE

General Accounting Office Report No. GAO/NSIAD-85-71 (OSD Case No. 6702), "The Navy Can Improve Management of Naval Shipyards," May 6, 1985, stated that the naval shipyards did not effectively manage materiel because complete and accurate usage data were not collected and historical usage information on prior overhauls were not analyzed. The General Accounting Office (GAO) recommended that the shipyards initiate a one-time special project to identify and record all existing unrecorded materiels and retain only those materiels allowed by DoD and Navy Regulations. The report also stated that the shipyards had not inventoried shop stores, and effectively identified, analyzed, and disposed of excess materiels valued at about \$77 million. GAO recommended that the shipyards inventory and dispose of excess materiels. The report further stated that the shipyards had not held their personnel accountable for implementing procedures for improving materiel management efficiency. GAO recommended that organizational goals be set for each shipyard addressing the efficiency and effectiveness of materiel management activities. DoD generally agreed with the findings and provided details for implementing the recommendations.

Army Audit Agency, Report No. SW 87-23, "Supply Operations Corpus Christi Army Depot, Corpus Christi, Texas," July 24, 1987, stated that improvements were needed in inventory procedures, turn in of excesses, stock management practices, and the Internal Control Program. Army Audit recommended that the depot personnel perform wall-to-wall inventories of the parts rooms; return repair parts charged to completed, canceled, or invalid programs to the supply system; and incorporate internal control responsibilities into job performance standards and appraisals of managers with internal control responsibilities. Management concurred with the findings and recommendations and agreed to take corrective actions. (During our audit, we found that the noted problems still existed.)

Naval Audit Service Report No. 032-N-88, "System Visibility of Material Inventory at Naval Shipyards," December 8, 1987, stated that naval shipyards did not timely review and report excess direct material inventory (DMI) to inventory control points. About \$2.2 million of the material could have been used elsewhere in the Navy. It also stated that the Philadelphia shipyard did not periodically review unassigned DMI to determine if it was still needed. At least \$1.25 million remained in unassigned DMI for more than 2 years. The report recommended that the shipyards review excess DMI material after key operations were closed and report excesses to the supply system for possible credit. The report also recommended that Philadelphia shipyard perform semiannual reviews of unassigned DMI material and return excess

material to the supply system. Navy concurred with the findings and recommendations. (During our audit, we found that the noted problems still existed.)

Army Audit Agency Report No. NE 89-6, "Depot Automated Storage and Retrieval System Tobyhanna Army Depot," March 24, 1989, stated that materiel stored in the automated system were not adequately accounted for. Army Audit estimated the Army-wide amount of unaccounted for materiel to be as high as \$120 million. Army Audit recommended that the Logistics Evaluation Agency review shop stock policies and procedures in Army Regulation 710-2 needed to be changed for maintenance depots with automated storage and retrieval systems. The Army Materiel Command agreed to implement new policy by June 1989. (At the time of our audit, new policy had not been implemented.)

Philadelphia Naval Shipyard Command and Evaluation Review Office, Report No. 90-109.11-B13-01, "Review and Evaluation of Depot Level Repairable," October 10, 1989, stated that the depot level repairable (DLR) program was not properly managed. Inadequate DLR procedures, monitoring, and program execution resulted in excessive write off of \$4.6 million in depot repairables. The report recommended DLR program guidance. (At the time of our audit, guidance had not been issued.)

Tooele Army Depot Internal Review and Audit Compliance Office Report No. TE-IR-44-90, "Audit of the Maintenance Shop Floor System," May 10, 1990, stated that the Army's Internal Control Program needed improvement to ensure that the Maintenance Shop Floor System was effectively and efficiently providing an accurate amount of repairable items and required repair parts. Material weaknesses totaling about \$7.3 million were identified. Excess dispositions were not accomplished monthly, required signatures were not obtained on issue documents, excess repair parts were not properly turned in, and programs were closed before maintenance personnel properly analyzed repair materiel for distribution to active programs, which negated timely cancellation of backorders. As a result, unneeded procurements were made for parts that could already have been on hand. (At the time of our audit, the report was distributed for management comments.)



THE ASSISTANT SECRETARY OF THE NAVY  
(Research, Development and Acquisition)  
WASHINGTON, D.C. 20350-1000

NOV 21 1990

MEMORANDUM FOR THE DEPARTMENT OF DEFENSE ASSISTANT INSPECTOR  
GENERAL FOR AUDITING

Subj: DRAFT REPORT ON THE AUDIT OF ACCOUNTABILITY AND CONTROL OF  
MATERIEL AT DEPOT MAINTENANCE FACILITIES (9LB-0062) -  
ACTION MEMORANDUM

Ref: (a) DODIG memo of 25 Sep 90

Encl: (1) DON Response to Draft Audit Report

This is in response to the draft audit report forwarded by reference (a) concerning the accountability and control of materiel at depot maintenance facilities.

The Department of the Navy response is provided at enclosure (1). We do not concur with the recommendation to establish a separate inventory plan for materiel on shop maintenance floors. However, we will ensure compliance with established inventory management procedures through internal management control programs and inspections.

A handwritten signature in black ink, appearing to read "G. Cann".

Gerald A. Cann

Copy to:  
NAVINGEN  
NAVCOMPT (NCB-53)

Department of the Navy Response  
to  
DODIG Draft Report of September 25, 1990  
on  
Accountability and Control of Materiel at  
Depot Maintenance Facilities  
Project No. 9LB-0062

Finding A:

Management of materiel at DOD depot maintenance facilities was not adequate to ensure proper accountability and control of materiel. This condition occurred because the Military Departments had not developed plans or followed existing plans to systematically inventory materiel within the depot maintenance facilities. As a result, the six depot maintenance facilities visited (for Navy, Mare Island Naval Shipyard and Cherry Point Naval Aviation Depot) were holding millions of dollars worth of materiel (\$1.8M for Mare Island and \$88.5K for Cherry Point) not recorded on accountable records.

Recommendation A:

We recommend that the Commander, Army Materiel Command; the Deputy Chief of Naval Operations (Logistics); and the Commander, Air Force Logistics Command, develop an inventory plan to systematically inventory the materiel on the depot maintenance floors. At a minimum, the plan should include:

1. A milestone plan for inventorying materiel.
2. Procedures for performing inventories, reconciling differences, and correcting accountable records.
3. Procedures for identifying assets excess to maintenance needs.
4. Procedures for returning materiel to the item managers.
5. Instructions to the item managers for reducing outstanding procurements by offsetting requirements with newly found materiel.

DON Position:

Do not concur. Naval shipyards and aviation depots should adequately account for and control materiel; however, we recognize that in some instances, proper procedures are not being followed. We are taking steps to ensure future compliance with established policies and procedures through internal inspections and management control programs.

The naval aviation depots maintain inventories in the Naval Industrial Fund (NIF) stores, and these inventories are ordered and accounted for in the Navy Industrial Materiel Management System (NIMMS). The materiel found to be inadequately accounted for at Cherry Point Naval Aviation Depot belonged to the Plant Maintenance Department. At the time of the audit, accountability of this materiel was being maintained by a stand-alone materiel management system. The Plant Maintenance Department and Materiel Management Department are presently formulating a strategy and a milestone plan to move the plant materiel records into the NIMMS. Once the maintenance department materiel is under the control of the Materiel Management Department and is located within the NIF stores, the materiel will fall under the same guidelines as any other NIF materiel.

The report refers to a substantial number of expensive items that Mare Island Naval Shipyard had on hand, including two pieces of sonar equipment. According to the 29 June 1990 letter from the shipyard commander to the DODIG, the shipyard plans to use the two pieces of sonar equipment. The other materiel in question was found to have only salvage value and was turned in to the Defense Reutilization and Marketing Office.

The audit report implied that cost avoidance of \$1.9 million will accrue to the Navy over "several years" as a result of implementation of the recommended inventory plan.

-- The savings of \$1.8 million for Mare Island Naval Shipyard are questioned. The sonar equipment was Government-furnished materiel, and the shipyard had a "custody" role for this equipment. Actual inventory accountability and responsibility rests with the platform/logistics manager. It is not conclusive that the ultimate utilization of the materiel was affected by the recommendation of the audit or that additional savings will accrue.

-- The \$88,500 for materiel at Cherry Point Naval Aviation Depot could represent a cost savings if the materiel was visible. However, even if the depots had been performing the proposed inventory of maintenance floors, there would have been off-record materiel between physical inventories.

We do not agree that improper accountability is a result of inadequate planning. The requirement for an inventory plan is already satisfied by existing stock management policies and procedures at naval shipyards and aviation depots. We do not believe a separate plan is warranted. Creating another layer of materiel management is contrary to the DMR philosophy and would contribute to increased overhead costs at a time when those costs are being forced down to achieve industrial efficiency improvements and currently budgeted programmed savings.

The recommendation does not account for the differences in management of consumable and reparable items. The depots must ensure proper disposition of reparable and consumable materiel which is excess to production requirements.



DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS UNITED STATES AIR FORCE  
WASHINGTON DC 20330-5130

0 5 DEC 1990

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING  
OFFICE OF THE INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE

SUBJECT: DoD (IG) Draft Report, "Accountability and Control of  
Materiel at Depot Maintenance Facilities," (Project  
9LB-0062) - INFORMATION MEMORANDUM

This is in reply to your Memorandum for Assistant Secretary  
of the Air Force (Financial Management and Comptroller) requesting  
comments on the findings and recommendations made in the subject  
report.

A handwritten signature in black ink, appearing to read "R. N. Campbell".

R. N. CAMPBELL, Maj Gen, USAF  
Asst DUS/AF/OPS & Engineering

1 Atch  
Comments

## Draft Report of Audit 9LB-0062, Accountability and Control of Materiel at Depot Maintenance Facilities

Recommendation A. We recommend that the Commander, Air Force Logistics Command develop an inventory plan to systematically inventory the materiel on the depot maintenance floors. At a minimum, the plan should include:

1. A milestone plan for inventorying materiel.
2. Procedures for performing inventories, reconciling differences, and correcting accountable records.
3. Procedures for identifying assets to maintenance needs.
4. Procedures for returning materiel to the item managers.
5. Instructions to the item managers for reducing outstanding procurements by offsetting requirements with newly found materiel.

### Management Actions

Concur with intent. It appears that during the inspection there may have been some misunderstandings of how a depot overhaul facility operates in relation to the Air Force costing and supply systems. The major problem appeared to be the difference between "supply type" materiel that should be on D033 accountable balances and "component parts" generating off items undergoing repair. Differences in terminology, systems, and conceptual perceptions may have caused the problem.

OC-ALC and SA-ALC are overhaul depots and as such they repair the end items and components parts (i.e.. remove, repair and reinstall). After repair, components parts must be reinstalled on the end item before it can be turned back into supply. Since repair flow time differ for components, some components parts must be temporarily stored until needed for end item buildup.

The audit report states that OC-ALC and SA-ALC have "about" \$233 million and \$81.9 million respectively of unrecorded materiel physically stored in the Automatic Storage and Retrieval System (AS/AR) commonly referred to as the stackers. The draft also inferred that a "significant" amount of reparable (not investment items) were found at OC-ALC and SA-ALC and therefore could have been available to the item manager to satisfy existing requirements. The purpose of the stacker system is a temporary storage system for items that are awaiting either repair or reassembly. When engines come into the depot, they are

disassembled and various bits and pieces are stored in the stackers until they can be repaired or reassembled onto the next higher assembly. Stackers are not used for storage of spare parts. These items are not end items. They are not visible to the item managers, nor should they be, and therefore are not recorded in the D033 system. They are not reparable items that could be issued by the item manager to satisfy existing requirements.

The sampling method used to compute the reported excess amount is meaningless. Since all bins do not contain identical items, you cannot total the value of the items in one bin and multiply that number by the number of bins in the ALC. The Air Force had some component parts that were excess to the end item undergoing repair. In situations where workloads are reduced/denegotiated, parts destined for the reduced workload will be identified to the item manager for release to supply.

**Draft Report of Audit 9LB-0062, Accountability and Control of Materiel at Depot Maintenance Facilities**

**Recommendation B.** We recommend that the Commander, Air Force Logistics Command, require that the Air Force depots report the unrecorded materiels as materiel weaknesses in their FY 1991 internal control certifications since the value of the materiels exceeds the established targets for reporting materiel weaknesses in accordance with DoD Directive 5010.38, "Internal Management Control Program."

**Management Actions**

Concur with intent. While the problem of excess materiel is very real it is not as large as the \$314.9 million the DoD IG estimated in the draft report. A stacker listing run at SA-ALC listed the value at \$47.7 million versus \$233 million reported by the IG, much of which is serviceable materiel, which was repaired, awaiting final assembly. The problem of large quantities of unaccounted for materiels, within maintenance, is inherent any time there is a workload which requires the disassembly and assembly of large quantities of expensive components, such as engines at OC-ALC and SA-ALC or landing gear at OO-ALC.

SUMMARY OF POTENTIAL MONETARY AND OTHER  
BENEFITS RESULTING FROM AUDIT

<u>Recommendation Reference</u>	<u>Description of Benefit</u>	<u>Amount and/or Type of Benefit</u>
A.	<p><u>Economy and Efficiency -</u> The Military Departments will be able to reduce operation and maintenance costs by using assets currently on hand rather than procuring new assets. The Military Departments could also make assets available to item managers to satisfy other requirements.</p>	<p><u>Funds Put to Better Use.</u> Because the accumulation of unrecorded materiels occurred over many years, the potential cost avoidances of \$2.7 million for Army, \$1.9 million for Navy, and \$314.9 million for Air Force will probably not be realized immediately, but will take several years to be fully realized. However, some savings have already accrued. For example, the San Antonio Air Logistics Center cancelled orders valued at \$6.2 million. An additional \$3.3 million of orders are being reviewed for cancellation.</p>
B.	<p><u>Economy and Efficiency -</u> The Air Force will be able to ensure that materiels are properly safeguarded through improved internal controls.</p>	<p>Same as above.</p>

## ACTIVITIES VISITED OR CONTACTED

### Office of the Secretary of Defense

Deputy Assistant Secretary of Defense (Logistics), Office of the  
Assistant Secretary of Defense (Production and Logistics),  
Washington, DC

### Army

Army Chief of Staff for Logistics, Office of the Deputy Chief of  
Staff for Logistics, Washington, DC  
Headquarters, U.S. Army Materiel Command, Alexandria, VA  
U.S. Aviation Systems Command, St. Louis, MO  
U.S. Army Depot Systems Command, Chambersburg, PA  
Corpus Christi Army Depot, Corpus Christi, TX  
Letterkenny Army Depot, Chambersburg, PA  
Tooele Army Depot, Tooele, UT

### Navy

Headquarters, Naval Air Systems Command, Arlington, VA  
Headquarters, Naval Sea Systems Command, Arlington, VA  
Mare Island Naval Shipyard, Vallejo, CA  
Naval Aviation Depot, Cherry Point, NC  
Philadelphia Naval Shipyard, Philadelphia, PA

### Air Force

Headquarters, Air Force Logistics Command, Wright-Patterson  
Air Force Base, OH  
Oklahoma City Air Logistics Center, Tinker Air Force Base, OK  
San Antonio Air Logistics Center, San Antonio, TX  
Sacramento Air Logistics Center, McClellan Air Force Base, CA

### Defense Agency

Defense Contract Administration Service Region - Dallas, TX

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Marvin T. Rohr, Auditor

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Assistant Secretary of the Army (Financial Management)  
Army Audit Agency

### Department of the Navy

Secretary of the Navy  
Assistant Secretary of the Navy (Financial Management)  
Naval Audit Service

### Department of the Air Force

Secretary of the Air Force  
Assistant Secretary of the Air Force (Financial Management and  
Comptroller)  
Air Force Audit Agency

### Defense Agency

Director, Defense Contract Audit Agency  
Director, Defense Logistics Agency  
Director, Defense Logistics Studies Information Exchange

### Non-DoD Activities

Office of Management and Budget,  
National Security Division, Special Projects Branch  
U.S. General Accounting Office,  
NSIAD Technical Information Center

### Congressional Committees:

Senate Subcommittee on Defense, Committee on Appropriations  
Senate Committee on Armed Services  
Senate Committee on Governmental Affairs  
Senate Ranking Minority Member, Committee on Armed Services  
House Committee on Appropriations  
House Subcommittee on Defense, Committee on Appropriations  
House Ranking Minority Member, Committee on Appropriations  
House Committee on Armed Services  
House Committee on Government Operations  
House Subcommittee on Legislation and National Security,  
Committee on Government Operations