

GAO

Testimony

Before the Committee on Governmental Affairs
United States Senate

For Release on Delivery
Expected at
9:30 a.m., EST
Thursday
November 18, 1993

MILITARY SMALL ARMS PARTS

Poor Controls Invite Widespread Theft

Statement of Donna M. Heivilin, Director, Defense
Management and NASA Issues, National Security and
International Affairs Division



058660/150415

Mr. Chairman and Members of the Committee:

I am pleased to be here to discuss our review of the Army's protection of small arms parts in active units and the National Guard. We have issued numerous reports in the past on various problems in protecting the inventory of the Department of Defense (DOD).¹ We reported that many thefts and attempted thefts of small arms parts from the military supply system, including those for the military M16 rifle, have been discovered. The common thread in these thefts has been that military personnel were involved and the discovery of the thefts was accidental. An indicator of the pervasiveness of these thefts is that military small arms parts are readily available to the public at gun shows across the United States. Since neither the manufacturers nor the government sell these parts to the public, it is likely they were stolen from the military supply system or the manufacturer.

During this most recent review, we helped uncover previously undetected thefts of small arms parts by national guardsmen at the Michigan Army National Guard, one of the six Army and Army National Guard sites we visited. The thefts had gone undetected for years because of inattentive management and the lack of basic checks on the ordering and handling of the parts, that is, internal controls. The lack of controls at all six sites invites theft. Notable deficiencies include the following: (1) key duties in the areas of ordering, receiving, and accounting for the supply parts and doing the repair work are frequently done by the same person, (2) inventory controls are inadequate, (3) physical security is lax, and (4) the computer system used to order and track the supply parts could easily be used to hide thefts.

BACKGROUND

We have been concerned about the vulnerability of DOD inventory to theft for a number of years and summarized our concerns in a March 1992 report. I'd like to briefly mention two previous reports that dealt with controls over small arms parts. First, in 1990 we issued a report on the New York Army National Guard. We had been asked to evaluate this Guard's internal controls and physical security over small arms parts and found them to be inadequate to prevent theft. Second, in July 1991, we examined small arms parts at four Army depots and found large and consistent losses at one of these depots. At three of the four depots, security was generally not targeted to address the threat of employee theft.

¹Defense Inventory: Control and Security Weaknesses Create Opportunities for Theft (GAO/NSIAD-92-60, March 17, 1992); Inventory Management: Strengthened Controls Needed to Detect and Deter Small Arms Parts Thefts (GAO/NSIAD-91-186, July 17, 1991); and Defense Inventory: New York Army National Guard Weapons Parts (GAO/NSIAD-91-28, Nov. 30, 1990).

SMALL ARMS PARTS ARE STILL BEING STOLEN

A Michigan guardsman who was previously assigned to the repair parts section of a warehouse admitted to us that he stole small arms parts for at least 5 years. After stealing the parts, he sold them to a national gun dealer who has been connected to the sale of small arms parts to the Branch Davidian religious sect in Waco, Texas. The thefts were discovered because we asked site officials to review requisitions for small arms parts. Site officials then became aware that some shops were ordering parts they were not authorized to use. Further investigation pointed to a guardsman, who later admitted the theft. He recently pled guilty to charges of stealing government property. A second Michigan guardsman who worked in the repair shop has also admitted to stealing small arms parts. Our first chart shows the general flow of repair parts in DOD.

In addition, the theft of about \$80,000 in government property, including small arms parts, was discovered only because the vehicle carrying the stolen property from Fort Campbell, Kentucky was stopped for a minor traffic violation by off-base police.

In addition to thefts at military sites, we found that military small arms parts were being sold at gun shows. We visited gun shows in six states to determine the availability of military small arms parts. In all six states we purchased small arms parts, some in government packaging, including the magazine clip shown in chart 2. In five of these states, we were able to buy some or all of the six small arms parts necessary to convert a semiautomatic civilian rifle to the equivalent of a fully automatic military M16. These parts are shown in chart 3 and include the bolt carrier, hammer, trigger, sear, selector, and disconnecter. We bought military small arms parts at 13 of 15 gun shows we attended. Considering that there are thousands of nationwide gun shows annually, the ready availability of these parts is alarming.

INATTENTIVE MANAGEMENT AND POOR INTERNAL CONTROLS INVITE THEFT

At all six sites we visited, basic checks to protect military small arms parts from theft were deficient in some form. For example, the thefts by a Michigan national guardsman remained hidden in part because key supply and repair duties were not separated, physical security was lax, and the computer system could be easily used to hide theft. In addition, management officials at this and other sites had not monitored supply and repair operations as they should have, had not reviewed requisitions on a regular basis, and did not ensure that inventory was accounted for. None of these problems were cited as material weaknesses in the Financial Integrity Act (FIA) reports we reviewed. At the Georgia Army National Guard, we found that the FIA reports lacked supporting review or checklist analyses. The fact that the Michigan guardsman could steal parts for over 5 years without detection also raises questions about the validity of these reports.

Key Duties Are Not Separated

The Michigan guardsman who had stolen small arms parts had access to the computer system that was used to order and track repair parts and physical access to the parts in the warehouse. As a result, he could initiate orders for parts in the computer and take the actual parts from the warehouse with ease. Similarly, at the Georgia and Michigan Guards, supply personnel assigned to the maintenance supply office had both record-keeping and parts-handling responsibilities. Finally, at repair shops at Forts Benning, Campbell, and Sill, the same person was inspecting weapons for needed repairs, determining the parts needed, and repairing the weapons. These situations invite theft.

Reviews of Requisitions for Repair Parts Are Lax and Sometimes Nonexistent

Requisitions for small arms parts are not routinely reviewed to determine if the orders are authorized. We found that lower-level repair shops requisitioned small arms parts for repairs they were not authorized to do. At five sites where data was available (data was not available from Fort Benning), some requisitions for 8 of the 10 small arms parts tested were unauthorized. This indicates that parts are probably being stolen since the Michigan guardsman used this weakness to cover up his thefts. Some of the unauthorized requisitions were for three of the six parts needed to make a fully automatic weapon.

Inventory Controls Are Inadequate and Sometimes Nonexistent

Frequently, repair parts have been unaccounted for, and inventory documentation has been incomplete. We found small arms parts in repair shops that were not authorized on any parts list. For example, personnel at Fort Sill turned in as excess over \$37,000 in sensitive and high-dollar small arms parts that were not on any authorized parts list. Also at Fort Sill, more than 2,500 M16 magazines, that were valued at over \$9,000, were unaccounted for on any records. In addition, at the Connecticut Army National Guard, 46 machine gun barrels, worth over \$38,000, were not on any inventory records and had been stored for over 9 months.

Inventory documentation was incomplete at three sites. For example, the Michigan Guard did not use a required inventory adjustment form. As a result, inventory adjustments were being made without any review or approval at a higher level, as required by Army regulation. The Georgia Guard could not find this form for us, and the Connecticut Guard adjusted its inventory records before the higher-level review and approval took place and thus reported very low adjustments resulting from its annual inventory. In addition, although Army regulations allow adjustments to

inventory records of shop stock (parts that must be ordered), most of the sites we visited did not maintain documentation of these inventories, discrepancies, or adjustments.

Physical Security Is Inadequate

The physical security at the supply and repair operations we visited was, for the most part, inadequate to protect small arms parts and other government property. Deficiencies included poor controls over access to the facilities and improper security of small arms parts. For example, employees at several sites were allowed to park their automobiles near open bay doors, fences had holes large enough for a person to crawl through, guards were not assigned to gates, and warehouse doors were usually left open and unattended. Chart 4 shows a gap in the perimeter fence gate at Michigan National Guard. One night in early 1992, security personnel caught three people entering the site through the gap under this fence. In addition, sensitive and pilferable items were frequently stored with other items or not properly secured. At Fort Campbell, for example, nine squad assault weapon barrels were outside the locked, caged area where they should have been stored. At Fort Benning, rifle barrels were stacked under an open window, where they could be stolen by anyone walking outside the building. Chart 5 shows the maintenance supply area at the Michigan Guard where sensitive small arms parts are stored on the second floor behind a locked door. However, as the chart shows, part of this area is open and can be reached by climbing on file cabinets.

Automated Systems Can Be Used to Hide Theft

Serious vulnerabilities in the computer system enabled a Michigan guardsman to steal parts. For example, the guardsman had complete access to the system and could issue sensitive commands reserved for the warehouse systems manager. In addition, a flawed batch entry process at the site and inadequate system controls aided the guardsman in manipulating small arms parts orders. For example, the guardsman established a line item; placed an order and then canceled it; and picked up the part, which had already been sent. Officials at the Michigan Guard believe that such system vulnerabilities could lead to theft in any Army organization using the system.

RECOMMENDATIONS

In our report, we recommend that the Secretary of Defense direct the Secretary of the Army to

- enforce the existing regulations governing small arms parts and other equipment at all levels of the supply and repair systems;

- direct local commanders to reemphasize the importance of maintaining physical security over government property, including small arms parts, and ensure that minimum procedures are being followed;
- ensure that adequate checks and controls are built into the computer systems used for ordering and controlling retail-level repair parts;
- ensure that the deficiencies at the six sites are corrected; and
- examine the thoroughness and validity of the reports submitted under the Financial Integrity Act.

Mr. Chairman, this concludes my statement. I welcome any questions you or Members of the Committee may have.

Chart 1: General Flow of Repair Parts Between Wholesale and Retail Levels

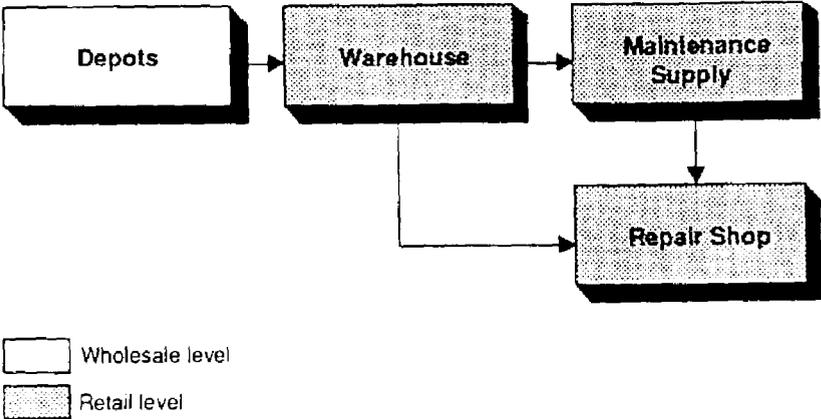


Chart 2: Thirty-Round M16 Magazine Clip Bought at a Gun Show

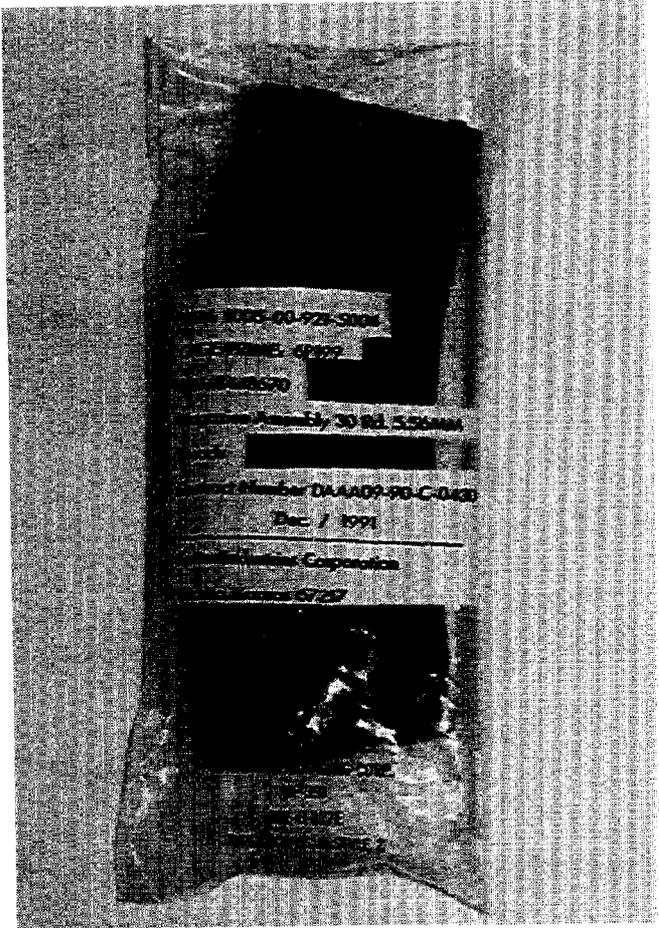


Chart 3: M16 Conversion Parts Needed to Make a Machine Gun

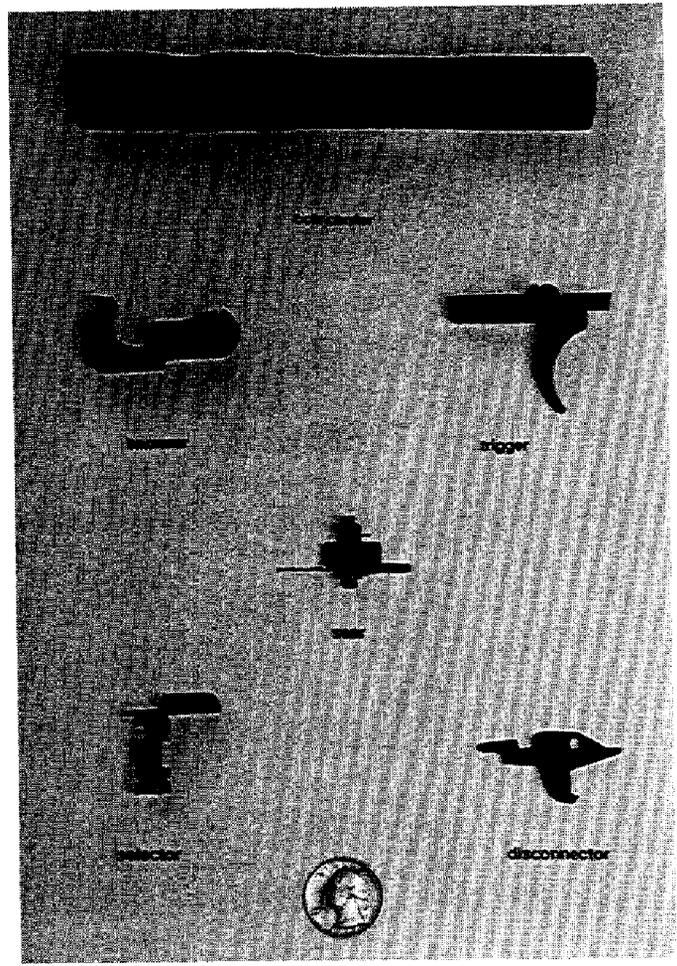


Chart 4: Gap in Perimeter of Fence Gate at the Michigan Guard

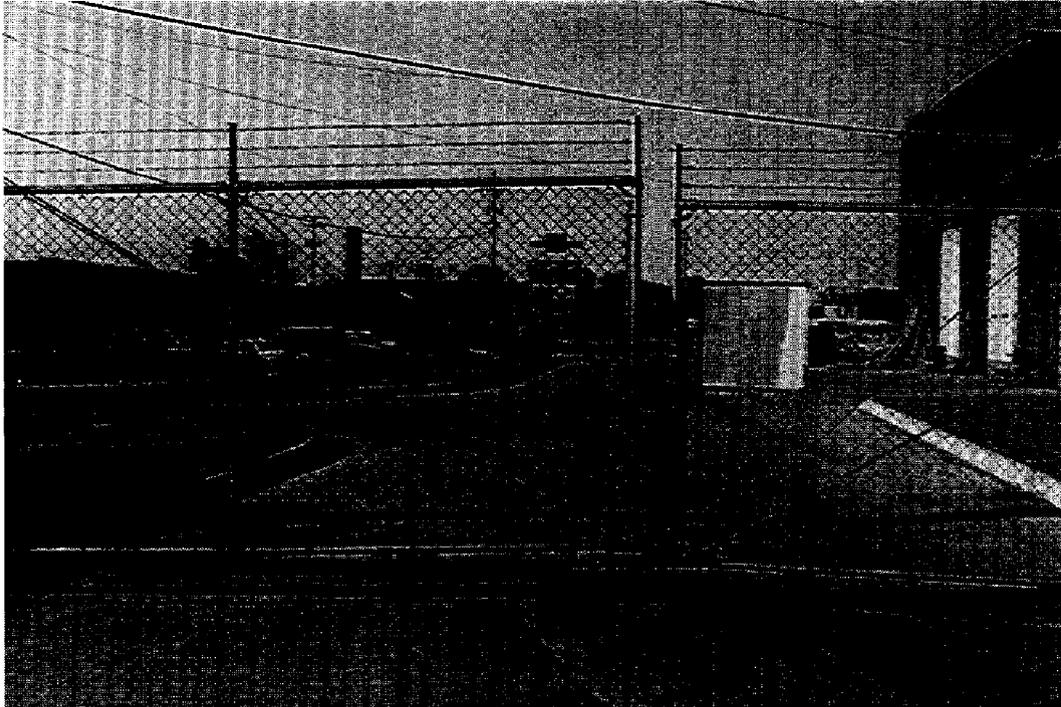
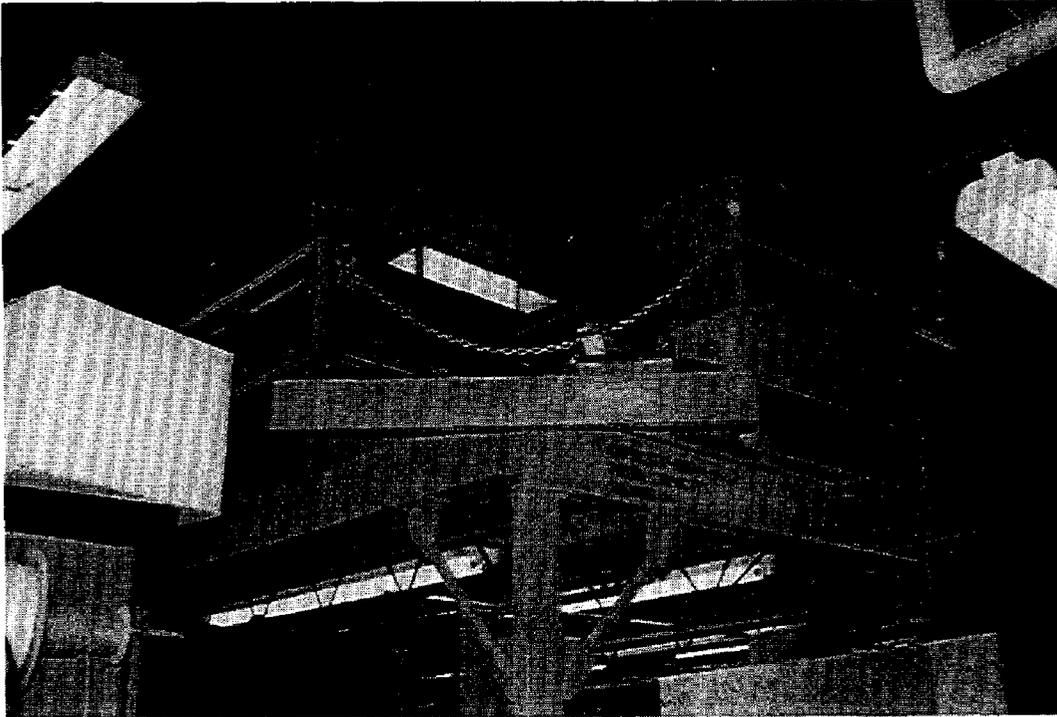


Chart 5: Open End of Supply Storage for High Security Parts at Michigan Guard



(709053)

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

**U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015**

or visit:

**Room 1000
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC**

**Orders may also be placed by calling (202) 512-6000
or by using fax number (301) 258-4066.**

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

**Official Business
Penalty for Private Use \$300**

**First-Class Mail
Postage & Fees Paid
GAO
Permit No. G100**
