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Report to Congressional Requesters

January 1995

DEFENSE SUPPLY

Controls Over Hand Tools Can Be Improved

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January 27, 1995

The Honorable Floyd D. Spence
Chairman
The Honorable Ronald V. Dellums
Ranking Minority Member
Committee on National Security
House of Representatives

The Honorable James V. Hansen
The Honorable Norman Sisisky
House of Representatives

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S G D

The Department of Defense (DOD) buys hand tools (such as wrenches and screwdrivers) for use in performing maintenance and repair work at military installations worldwide. In fiscal year 1993, DOD spent about $155 million to purchase tools from the General Services Administration (GSA), the federal manager for hand tools. Military units spent an additional undeterminable amount for local tool purchases.

As requested by the former Chairman and Ranking Minority Member of the Subcommittee on Oversight and Investigations, House Committee on Armed Services, we reviewed the controls over hand tools in each of the military services. Specifically, we determined (1) the adequacy of policies and procedures for preventing the loss or unnecessary purchase of hand tools; (2) if information is available on the costs associated with missing, lost, and stolen hand tools; (3) how well installations and operating units are controlling these tools; and (4) the extent these controls are being reviewed. The specifics of our scope and methodology appear in appendix I.

Results in Brief

DOD buys significant quantities of hand tools each year. However, we were not able to determine the extent of unnecessary purchases and losses of hand tools because DOD has insufficient cost data at the headquarters, command, and installation levels to identify and track tool purchases and inventory levels, as well as costs associated with missing, lost, and stolen tools. DOD and the military services have not provided sufficient guidance and oversight to ensure that hand tools are adequately safeguarded and controlled at military operating units.

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Military units, in turn, do not have adequate internal controls and records to properly account for tool purchases and inventories. We visited selected military units and found situations where (1) personnel were allowed to purchase tools without prior authorization; (2) tool purchases could not be identified and traced to inventory records; and (3) discrepancies existed between available inventory records and actual tool quantities.

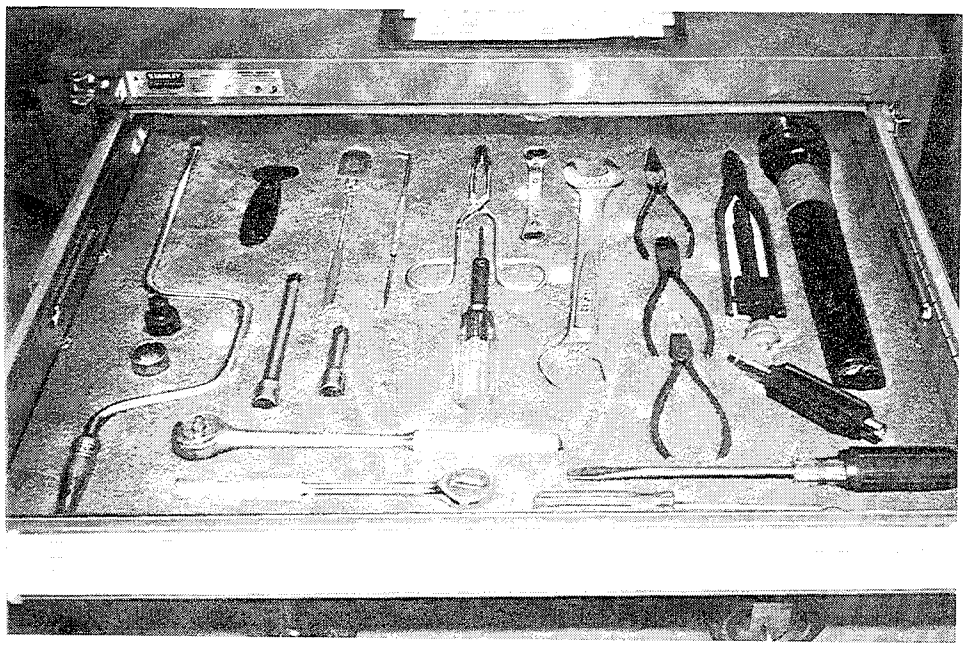
We also found that Air Force operating units were buying new warranted tools to replace perfectly good tools and, contrary to regulations, were using local purchases to buy the same warranted tools that were available through normal DOD supply channels. On July 28, 1994, we sent a letter to the Secretary of the Air Force recommending that she direct Air Force units to (1) replace only unserviceable tools with warranted tools so that existing tool inventories can be effectively used and (2) use local purchases only when needed tools cannot be obtained through normal supply channels. On August 25, 1994, Air Force headquarters sent a message to all of the major commands advising them of our findings and recommendations and reminding them to comply with established policies and procedures.

Background

DOD buys hand tools for a wide range of maintenance and repair activities that include maintaining everything from facilities and vehicles to aircraft and ships. DOD buys tools either from GSA or by local purchase. DOD regulations state that use of established supply sources, such as GSA, should be maximized. If the supply system cannot be used, local purchases may be considered if they are in the best interest of the government in terms of the combination of quality, timeliness, and cost.

DOD aircraft maintenance units use silhouetted tool boxes and displays, which contain shadow drawings of the tools, to control tools at the user level and prevent foreign object damage to aircraft resulting from tools left in or on an aircraft during maintenance. Generally, the tool box or kit has a foam insert in each drawer that is cut and shaped to the size of the tools to facilitate the physical inventories taken at the time a mechanic checks out and returns the tool box to the tool room (see fig. 1.) Other military units, such as artillery and transportation units, use tool boxes that do not maintain the tools as neatly and are less easily inventoried.

Figure 1: Composite Tool Box at Langley Air Force Base Illustrating the Cut Out Silhouette for Each Tool



Executive agencies are required to establish and maintain systems of internal controls that provide reasonable assurance that resource use is consistent with applicable laws, regulations, and policies; resources are safeguarded to prevent waste, loss, and misuse; transactions and other events are adequately documented and fairly disclosed; and resources are accounted for. With regard to hand tools, basic internal controls should include prior authorization of specific tool purchases by an individual knowledgeable of a unit's tool needs; independent checks to ensure that tool purchases are properly received; and accurate inventory records to reflect tool receipts, issues, and on-hand quantities.

DOD Does Not Provide Adequate Guidance

DOD has not issued guidance establishing controls over hand tools at the user level. DOD does have overall guidance for the physical security of government property located at military installations, but the guidance does not contain specific procedures for controlling tool purchases, inventories, and related receipts and issues.

The military services also have not provided adequate guidance to installations and operating units. Other than requiring periodic physical

inventories, the guidance does not provide specific controls over hand tools. The Air Force has recognized the need for better guidance and, in November 1993, established an Air Force Tool Committee to develop new guidance for use Air Force-wide.

Although guidance on tool purchases and inventories is lacking, the military services have issued guidance to prevent foreign object damage to aircraft from tools left on or in aircraft during maintenance. Air Force mechanics are required to sign out for tool kits or individual tools, and an inventory of the tools is performed. After the work is completed, the mechanics return the tools, and the contents again are inventoried to ensure that none are left in the aircraft. The Navy and the Marine Corps use a similar system to prevent foreign object damage.

Cost Information Is Not Uniformly Maintained

DOD has insufficient cost data at the headquarters, command, and installation levels to identify and track hand tool purchases, inventory levels, and losses. Also, because the military services consider hand tools to be expendable items representing small dollar values, losses that are identified by operating units often are not reported to investigative organizations and higher commands.

DOD headquarters does not maintain cost information reflecting hand tool purchases, inventory levels, and losses. DOD does report information on losses of all government property annually to the Congress, but DOD officials told us that the reported information includes very limited data on hand tools because such losses often get little visibility and generally do not meet the minimum reporting threshold of $1,000 per incident.

Representatives at the headquarters of all of the military services and the commands we visited also told us that they do not receive or maintain information that reflects hand tool purchases, inventory levels, or losses. The representatives stated that they do not manage down to that level and that such information only would be available at the installation level. However, we visited Fort Bragg, Oceana Naval Air Station, Langley Air Force Base, and Camp Lejeune Marine Corps Base and found that data were very limited at the installation and operating unit levels.

At our request, certain units compiled data on the amount of recent tool purchases. For example, one unit at the Oceana Naval Air Station was able to provide lists of individual tool purchases for 20 months that totaled $25,844. However, most of the installations and units visited did not know

the value of the tool inventories and could not provide complete data on tool purchases. For example, units at Camp Lejeune had data reflecting the number and types of tools owned but did not know the value of the tool inventories.

Agents at the security investigating organization of each installation told us that they maintain a log of all investigations of suspected stolen government property but do not report such losses to anyone. The logs, which are used to monitor trends in thefts and other crimes, include very little information on tool losses. Reports prepared to document losses of government property and provide the basis for an investigation of the reasons for the losses generally were not prepared for tools due to the small dollar values involved. At Langley Air Force Base, for example, these reports had not included any hand tools for the past 2 years.

Tool Purchases and Inventories Are Not Properly Accounted for

The absence of adequate management guidance has contributed to a general lack of basic internal controls at individual installations and operating units. We identified weaknesses in basic internal controls at each of the four installations and eight operating units we visited. These weaknesses related to purchase authorizations and inventory record-keeping.

Authorization for Specific Purchases Not Required at Air Force Units

All units we visited required prior authorization for specific tool purchases except for the two units at Langley Air Force Base. Instead, personnel used a blanket authorization from the unit that was entered into the base service store's computer system. One squadron we visited authorized six persons to buy tools at the base service store, and the other, smaller unit we visited authorized two persons to buy tools.

Some of the personnel authorized to purchase tools also were responsible for establishing the tool requirements for the unit. Further, unit personnel not involved in the purchases did not routinely check to see that the unit actually received the tools. Without these controls, there was no assurance that the purchases were necessary or that the unit received the tools.

Inventory Records Are Inadequate

At all units we visited, either inventory records were inaccurate or no records were available that could be used to identify and track hand tool purchases and related receipts, issues, and on-hand quantities.

The only records the Army units we visited at Fort Bragg could provide were (1) copies of a register showing a list of all items purchased by the units, including hand tools, and (2) hand receipts showing the authorized and on-hand quantities of tools in tool rooms, trailers, and boxes that were assigned to specific individuals in the units. No inventory records were available to show tool receipts and issues or the disposition of the purchases.

The Air Force units we visited at Langley Air Force Base did not have records showing receipts and issues. They only had computer-generated lists of the current inventory of tools in each tool box or tool room drawer. Some of these lists were not dated and did not accurately reflect the total number of tool boxes on hand. For example, one unit's undated documentation stated that six avionics tool boxes with 65 tools in each box were on hand. However, our physical inspection disclosed that 10 tool boxes were on hand.

The Marine Corps units we visited at Camp Lejeune did not have inventory records showing tool purchases and related receipts and issues. Both units had stock lists of tools in each tool box. One unit also had hand receipts for spare tools in the tool room, and the other unit had inventory cards for the spare tools.

One Navy unit at Oceana Naval Air Station had established an automated system for monitoring on-hand quantities of tools in its tool room and tool kits. However, this system did not reflect tool receipts and issues. The other Oceana unit had set up a manual inventory record system about 6 months prior to our visit to get better control over purchases, receipts, issues, and inventory levels for the tool room. However, we found that the records were not accurate. For example, some tool purchases were not entered on the inventory record cards before they were issued to users. In June 1994, the squadron commander revised the unit's procedures to tighten the controls over tool purchases and inventories.

We made several physical counts at each operating unit we visited to test the accuracy of the records that were available. We found inaccuracies at each unit, with discrepancy rates of up to 68 percent. In total, the records for 99 of 515 tools in the tool rooms (19 percent) were inaccurate, and the records for 173 of 2,700 tools in the tool boxes (6 percent) were inaccurate. For example, the inventory records at one unit indicated that nine diagonal cut pliers were on hand, but our physical count showed that six pliers actually were on hand.

We requested the results of physical inventories by the military services and found that they often were not documented. Personnel in the Air Force and Navy units and one of the Marine Corps units stated that they conducted physical inventories but did not maintain documentation of the results of these inventories. Personnel in the Army units and one of the Marine Corps units told us that they conducted the required periodic physical inventories and that the results were reflected on hand receipts. We reviewed the documents and noted that some missing tools had been identified.

Oversight Efforts Have Been Limited

DOD has provided only limited oversight to determine how effectively installations and operating units control tool purchases and inventories since the last comprehensive DOD Inspector General review of this area was performed over 10 years ago. This review identified a need for better procedures and controls. No comprehensive reviews have been made since that time, and audit efforts have been limited to local reviews at individual installations. During recent years, the Army and Navy audit agencies have done only one or two local audits while the Air Force audit agency has performed 35 local audits since 1989. The audits identified problems with the controls over hand tools.

Routine inspections and surveys by command level management and inspector general staff also generally do not include an evaluation of tool procedures and controls. For example, an inspector general representative of the Air Force's Air Combat Command told us that the inspector general's policy is not to perform compliance type inspections and reviews and that the staff did not have any knowledge of the adequacy of hand tool controls. We did find that the Marine Corps' Field Supply and Maintenance Analysis Office performs periodic inspections at units, which include tool controls. The inspections disclosed deficiencies in these controls during the past 3 years relating to the lack of inventory records, absence of physical inventories, and accumulation of excess tools.

Recommendations

We recommend that the Secretary of Defense take the following actions to ensure that hand tool purchases and inventories are adequately controlled:

- Require that the military services and major commands provide guidance to installations and operating units specifying the needed internal controls over hand tools. These controls should include requirements for prior

authorization of tool purchases and maintenance of accurate inventory records that reflect tool receipts, issues, and quantities on hand.

- Require that inspector general and internal audit staffs incorporate controls over hand tools into the periodic inspections that are performed at installations and operating units.

We are not recommending that DOD and the military services obtain and report overall cost information on tool purchases, inventory levels, and losses. If military units put adequate internal controls in place, including accurate inventory records, such information should be readily available at the installation and unit levels.

Agency Comments and Our Evaluation

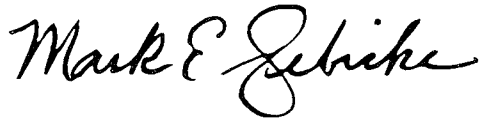
DOD agreed that, to varying degrees, the military services' policies and procedures governing the purchase and accountability of hand tools are inadequate (see app. II). DOD also agreed that internal controls should be reviewed by the services and strengthened as necessary. By March 31, 1995, DOD expects to issue a memorandum to the military services directing that closer scrutiny be paid to hand tool accountability and that regulations, policies, and procedures governing hand tool purchases be strengthened. The memorandum also will direct that each military service secretary advise their inspector general and internal audit staffs to incorporate control of hand tools in periodic inspections at installations and operating units.

Although generally agreeing with our report, DOD did question some aspects. DOD believes that our findings were insufficient to indicate a systemic problem with inadequate inventory accountability and record-keeping. DOD also believes that our findings reflect a problem with implementation of existing guidance and that no additional guidance is needed for existing hand tool inventories.

Because our review was limited to four installations and eight operating units, we cannot state unequivocally that our findings indicate a systemic problem. However, we did identify problems at each location visited, which would indicate to us that similar problems may exist elsewhere. With regard to the adequacy of guidance, we continue to believe that additional guidance is needed. Personnel at the units visited consistently stated that one of the reasons for the problems we noted was the lack of guidance specifying the internal controls needed for receipts, issues, and inventories at the operating units. Furthermore, individual services, such as the Air Force, acknowledge the need for better guidance.

We are sending copies of this report to the Chairmen and Ranking Minority Members, House and Senate Committees on Appropriations, Senate Committees on Armed Services and on Governmental Affairs, and House Committee on Government Reform and Oversight; the Secretaries of Defense, the Army, the Navy, and the Air Force; and the Director, Office of Management and Budget.

Please contact me at (202) 512-5140 if you have any questions. The major contributors to this report are listed in appendix III.



Mark E. Gebicke
Director, Military Operations and
Capabilities Issues

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Abbreviations

DOD	Department of Defense
GSA	General Services Administration

Scope and Methodology

We reviewed the Department of Defense's (DOD) and the military services' policies and procedures for controlling hand tools. We discussed program operations, guidance, and oversight with officials at the headquarters of DOD and each of the military services and obtained overall program data when available. We also visited the General Services Administration to discuss its functions as federal manager for hand tools and to obtain available information on tool sales to DOD.

We visited one installation in each of the military services—Langley Air Force Base, Virginia; Oceana Naval Air Station, Virginia Beach, Virginia; Fort Bragg, Fayetteville, North Carolina; and Camp Lejeune Marine Corps Base, Jacksonville, North Carolina—to review controls over hand tools. At each installation, we (1) requested overall information on hand tool purchases, inventories, and losses and (2) visited two operating units to evaluate internal controls over hand tools. We visited the following units at each installation:

Langley Air Force Base
- 94th Fighter Squadron, 1st Fighter Wing
- 72nd Helicopter Squadron, 1st Fighter Wing

Oceana Naval Air Station
- Aircraft Intermediate Maintenance Department
- Fighter Squadron VF-41, Fighter Wing, U. S. Atlantic Fleet

Fort Bragg
- 2nd Battalion, 504th Parachute Infantry Regiment, 82nd Airborne Division
- 546th Transportation Company, 189th Maintenance Battalion, 1st Corps Support Command

Camp Lejeune Marine Corps Base
- 1st Battalion, 10th Artillery Regiment, 2nd Marine Division
- 464th Helicopter Squadron, 29th Marine Air Group, 2nd Marine Aircraft Wing

We also contacted the major command responsible for each installation visited and obtained overall information related to hand tools. As part of our evaluation of management oversight, we contacted inspector general offices, military audit services, and investigative organizations to discuss their oversight of hand tool controls and review audit, inspection, and investigative reports.

We performed our review between February and October 1994 in accordance with generally accepted government auditing standards.

Comments From the Department of Defense

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON DC 20301-3000

15 DEC 1994

ACQUISITION AND TECHNOLOGY
(L/MDM)

Mr. Henry L. Hinton Jr.
Assistant Comptroller General
National Security and International
Affairs Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Hinton:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) Draft Report, "DEFENSE SUPPLY: Controls over Hand Tools Can Be Improved", dated October 27, 1994 (GAO Code 703060), OSD case 9747-A). The DoD generally concurs with the report.

The DoD delegates to the Military Services the responsibility for establishing regulations, policies, and procedures for the control and accountability of hand tools, based on unique Service roles and missions. The DoD continues to support this approach, but agrees with the GAO that to varying degrees, Military Service policies and procedures governing the purchase and accountability of hand tools are inadequate. The DoD also agrees with the GAO that internal controls in this area should be reviewed by the Services and strengthened as necessary. However, the DoD believes that the GAO observations were insufficient to indicate a systemic problem with inadequate inventory accountability and recordkeeping for hand tools within the Department.

The DoD detailed comments on the GAO findings and recommendations are provided in the enclosure. The Department appreciates the opportunity to comment on the draft report.

Sincerely,

James R. Klugh
Deputy Under Secretary
of Defense (Logistics)

Enclosure

GAO DRAFT REPORT - DATED OCTOBER 27, 1994
(GAO CODE 703060) OSD CASE 9747-A

"DEFENSE SUPPLY: CONTROLS OVER HAND TOOLS CAN BE IMPROVED"

DEPARTMENT OF DEFENSE COMMENTS

* * * * *

FINDINGS

Now on pp. 1-3.

- **FINDING A**: **Use of Hand Tools in the Department of Defense**. The General Accounting Office (GAO) reported that the Department of Defense (DoD) buys significant quantities of hand tools each year for use in performing maintenance and repair work at military installations. The GAO explained that DoD regulations state that the use of established sources, such as the General Services Administration (GSA), should be maximized for purchases, and that if the supply system cannot be used, local purchases may be considered if they are in the best interest of the Government in terms of the combination of quality, timeliness, and cost. The GAO reported that in FY 1993, the DoD spent about $155 million to purchase tools from the GSA, while military units spent an additional unknown amount for local tool purchases.

  The GAO also reported that agencies are required to establish and maintain systems of internal controls that provide reasonable assurance that resource use is consistent with applicable laws, regulations, and policies; resources are safeguarded to prevent waste, loss, and misuse, transactions and other events are adequately documented and fairly disclosed; and resources are accounted for. With regard to hand tools, the GAO reported that basic internal controls should include prior authorization of specific tool purchases by an individual knowledgeable of a unit's tool needs; independent checks to assure that tool purchases are properly received; and accurate inventory records to reflect tool receipts, issues, and on-hand quantities. (pp. 1-5/ GAO Draft Report)

  DOD RESPONSE: Concur. The Office of the Secretary of Defense (OSD) does not provide specific guidance to the Military Services covering hand tools. Instead, each service is granted the latitude to establish regulations, policies, and procedures tailored to its specific roles and missions.

  DoD concurs that proper internal controls should include prior authorization for the purchase of items such as hand tools and that adequate safeguards should be in place to ensure accountability of tools is maintained throughout their life cycle. Each Military Service

maintains a system of internal controls that guard against waste, loss, or misuse of resources. For example, the Army maintains an internal control checklist that addresses aspects of the control, security, and accountability of tools in the Department of the Army Circular 11-93-1 (DA), dated January 4, 1993. Current regulations, policies, and procedures within each Service ensure that the authority to purchase hand tools is delegated to responsible individuals by the installation or unit commander.

- **FINDING B: The DoD Does Not Provide Adequate Guidance.** The GAO found that the DoD has not issued guidance establishing controls over hand tools at the user level. The GAO acknowledged that the DoD does have overall guidance for the physical security of Government property located at Military installations, but pointed out that the guidance does not contain specific procedures for controlling tool purchases, inventories, and related receipts and issues. The GAO concluded, therefore, that adequate DoD guidance has not been provided.

  The GAO also found that the Military Services have not provided adequate guidance to installations and operating units. The GAO explained that, other than requiring periodic physical inventories, the guidance does not provide specific controls over hand tools. The GAO noted that the Air Force has recognized the need for better guidance and, in November 1993, established an Air Force Tool Committee to develop new guidance for use Air Force-wide.

  The GAO acknowledged that, although guidance on tool purchases and inventories is lacking, the Military Services have issued guidance to prevent foreign object damage to aircraft from tools left on or in aircraft during maintenance. As an example, the GAO reported that Air Force mechanics are required to sign out for tool kits or individual tools, and an inventory of the tools is performed. The GAO reported that after the work is completed, the mechanics return the tools, and the contents are again inventoried to assure that none are left in the aircraft. The GAO noted that the Navy and Marine Corps use a similar system. (pp. 5-6/GAO Draft Report)

Now on pp. 3-4.

  DOD RESPONSE: Concur. The DoD agrees that Military Service guidance is inadequate in certain areas of hand tool control. Specifically, procedures covering the purchase and accountability of new tools appears to be weak. On the other hand, procedures covering the inventory and disposal of hand tools appears to be adequate. The situation found by the GAO is attributable to poor execution, not inadequate guidance. Each Military Service is in the best position to

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establish regulations, policies, and procedures for the control of hand tools at installations and operating units. For example, procedures for the issue, receipt, and inventory of hand tools will depend on the type of tool, the system being supported, and the mission being performed. While the daily sign-out of tools for the repair of aircraft may be practical at a fixed base, it is not practical for mechanics operating in the field. In those instances, periodic inventories of mechanics tool boxes are more appropriate.

The regulations, policies, and procedures of each Military Service vary in their degree of oversight and direction. For example, Army Unit Supply Update 14, and Marine Corps Order P4790.2c, provide standardized direction for tool control. Air Force Instruction (AFI) 21-101, on the other hand, allows units to develop local procedures to ensure control of hand tools, while insisting that government property be accounted for.

To ensure that Service guidance is properly implemented, the OSD will advise the Services that closer scrutiny must be given to hand tool accountability and that procedures covering hand tool purchases must be strengthened. (Also see the DoD response to recommendation 1). At the same time, however, the DoD is concerned that the costs associated with accountability procedures for expendable hand tools not exceed the cost of the tools themselves.

- **FINDING C**: **Cost Information Is Not Maintained**. The GAO found that the DoD has insufficient cost data at the headquarters, command, and installation levels to identify and track hand tool purchases, inventory levels, and losses. The GAO also found that, because the Services consider hand tools to be expendable items representing small dollar values, losses that are identified by operating units often are not reported to investigative organizations and higher commands. In addition, the GAO found that DoD headquarters does not maintain cost information reflecting hand tool purchases, inventory levels, and losses. The GAO noted that the DoD does report information on losses of all Government property annually to the Congress, but according to DoD officials the reported information includes very limited data on hand tools, because such losses often get little visibility and generally do not meet the minimum reporting threshold of $1,000 per incident. According to the GAO, Service officials at the locations it visited said they do not receive or maintain information that reflects hand tool purchases, inventory levels, or losses, since they do not manage down to that level. The GAO found that such data was also very limited at the installation and operating levels. In addition, the GAO reported that most of the installations

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did not know the value of their tool inventories and could not provide complete data on tool purchases.

The GAO reported that agents at the security investigating organization of each installation said they maintain a log of all investigations of suspected stolen Government property, but do not report such losses to anyone. The GAO found that the logs, which are used to monitor trends in thefts and other crimes, include very little information on tool losses. The GAO observed that reports prepared to document losses of Government property and provide the basis for an investigation of the reasons for losses were generally not prepared for tools, due to the small dollar values involved. (pp. 6-8/GAO Draft Report)

Now on pp. 4-5.

DOD RESPONSE: Partially concur. Hand tools are classified as expendable or durable/non-expendable, and may have different sources of supply. In some instances, soldiers pay cash for a lost tool at the installation self-service supply center. For higher dollar value tools, an order is placed against the wholesale supply system. Such differences make it difficult to establish a single source for cost data for the purchase of hand tools. Although comprehensive cost data for hand tools is not readily available through a single source, each Military Service is capable of gathering that information, with varying degrees of difficulty. For instance, Army Supply Update 14, page 60, requires the installation self-service supply center to maintain records of the amount of each cash sale for hand tools and the account number of the unit making the purchase. Because of the small dollar values involved, the DoD does not maintain cost data on hand tool purchases. Since funding for most tool purchases comes from a unit's operating funds, unit commanders have a vested interest in eliminating unnecessary expediters on hand tools. It would be inappropriate for the OSD to track data for a small dollar value program in which the Military Services have some form of internal controls in place and where unit commanders have not noted systematic problems.

The GAO draft report indicates that the DoD has insufficient cost data to identify and track hand tool purchases, inventory levels, and losses. It should be recognized, however, that cost data, in and of itself, is not necessarily an accurate barometer of tool accountability in a unit. Internal investigations often find that a tool was damaged through no fault of the user. Each Military Service requires accountability for all Government property, including hand tools. Because of the normally small dollar values involved in tool losses and breakage, investigations are usually conducted at the unit level, and in most cases do not require investigative organization or higher command participation. That approach minimizes administrative costs and speeds up the investigative process. Cost data relevant

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to the investigations is available to the commander through the unit supply organization.

Operating units and installations do not normally track the dollar value of the individual pieces of equipment they are accountable for, including hand tools, unless an investigation is conducted due to loss or damage. The unit's primary concern is that the equipment is on-hand and serviceable. Maintenance of such cost data, if collected, would be complicated by factors such as changes in standard price. Unit supply personnel have ready access to price lists for all hand tools if needed. However, requiring a unit to know the collective value of all its hand tools at a given point in time would place an unproductive administrative burden on field units.

FINDING D: Tool Purchases and Inventories Are Not Properly Accounted For. The GAO identified weaknesses in basic internal controls at each of the four installations and eight operating units it reviewed. According to the GAO, the weaknesses related to two areas--purchase authorizations and inventory recordkeeping. The GAO concluded that the absence of adequate management guidance has contributed to a general lack of basic internal controls at individual installations and operating units.

With regard to the first area, the GAO found that all the units it visited required prior authorization for specific tool purchases, except for the two units at Langley Air Force Base. The GAO explained that at Langley, personnel instead used a blanket authorization from the unit. The GAO found that some of the personnel authorized to purchase tools also were responsible for establishing the tool requirements for the unit, and some unit personnel not involved in the purchases did not routinely check to see that the unit actually received the tools. The GAO concluded that without such controls, there was not assurance that the purchases were necessary or that the unit received the tools.

Concerning inventory records, the GAO reported that at all the units visited, inventory records were either inaccurate or no records were available that could be used to identify and track hand tool purchases and related receipts, issues, and on-hand quantities. The GAO discussed the specific conditions found at each of the units it visited. In addition, the GAO reported that it made several physical counts at each operating unit visited to test the accuracy of the available records. The GAO found inaccuracies at each unit, with discrepancy rates up to 68 percent. The GAO reported that in total, the records for 99 of 515 tools (19 percent) were inaccurate, and the records for 173 of 2,700 tools in the tool boxes (6 percent) were inaccurate.

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Now on pp. 5-7.

According to the GAO, results of physical inventories by the Military Services also often were not documented. The GAO reported that Air Force and Navy unit personnel, as well as personnel at one of the Marine Corps units, stated that they conducted physical inventories, but did not maintain documentation of the inventory results. The GAO reported that Army unit personnel and personnel at one of the Marine Corps units said they conducted the required inventories and the results were reflected on hand receipts. The GAO found, however, that the documents showed some missing tools had been identified. (pp. 8-12/GAO Draft Report)

DOD RESPONSE: Partially Concur. The DoD agrees that additional guidance is needed with regard to hand tool purchases. As discussed in the DoD response to Recommendation 1, the DoD will direct the Military Services to increase hand tool accountability and strengthen hand tool purchase procedures. The DoD does not agree, however, that evidence indicates additional guidance is needed for existing hand tool inventories. Rather, the GAO findings reflect a problem with implementation of existing guidance.

Each of the Military Services has in place internal controls to safeguard against waste, loss, or misuse of Government property. Prior authorization for hand tool purchases to ensure accountability after purchase is outlined in existing regulations and policies of each Military Service.

There is a distinct difference between tracking tool purchases and accounting for on-hand tool inventories. Each Military Service requires the use of accountability documents for tools issued to users. Inventories against those documents are to be conducted at intervals established by Military Service policy. In some instances, a user may lose a tool or turn in a broken one between inventories. In those circumstances, the hand receipt document and the actual on-hand count will not match, even though supply and the user will have documentation verifying a turn-in transaction. In other cases, a loss will not be discovered until the actual inventory, at which time an investigation would be conducted.

In some instances, a few expendable, small dollar value tools (such as screwdrivers) are not maintained on hand receipts in tool rooms. Those tools are used to replace unserviceable items as required. Similarly other expendable type items commonly found in tool rooms, such as pens, staplers, and loose leaf binders, are not on accountable documents, although their cost may be higher.

Now on p. 7.

- **FINDING E: Oversight Efforts Have Been Limited.** The GAO found that the DoD has provided only limited oversight to determine how effectively installations and units control tool purchases and inventories since the last comprehensive DoD Inspector General (IG) review of the area over 10 years ago. According to the GAO, no comprehensive reviews have been done since then and audit efforts have been limited to local reviews at individual installations. The GAO pointed out that in recent years, Army and Navy audit agencies have done only one or two local audits, while the Air Force Audit Agency has performed 35 local audits since 1989. The GAO noted those audits identified problems with controls over hand tools.

  The GAO also found that routine inspections and surveys by command-level management and IG staff also generally do not include an evaluation of tool procedures and controls. The GAO reported, for example that an IG representative of the Air Force Air Combat Command said their policy is not to perform compliance type inspections and reviews, and they do not have any knowledge of the adequacy of hand tool controls. The GAO found that the Marine Corps Field Supply and Maintenance Analysis Office does perform periodic inspections at units, which include hand tools. According to the GAO, the Marine Corps inspections disclosed deficiencies in tool controls during the past 3 years relating to the lack of inventory records, absence of physical inventories, and accumulation of excess tools. (pp. 12-13/GAO Draft Report)

  DOD RESPONSE: Concur. The OSD provides only limited oversight of tool purchases and inventories because accountability of hand tools is the responsibility of each Military Service. Each of the Service audit agencies and IGs address Government material accountability.

  Given the constrained resources now available, unit commanders cannot afford expenditure of funds on unnecessary tool purchases. Therefore, the DoD is confident any unusual expenditures for hand tools would be identified, promptly investigated, and elevated if a systematic accountability problem was identified. The DoD agrees, however, that the GAO findings indicate the Military Services should take corrective action to reinforce existing policies and procedures for hand tool control. Accordingly, as discussed in the DoD response to recommendation 2, the DoD will take action to ensure that control of hand tools is included in periodic inspections at installations and operating units.

  The mission of the IG is to address areas of command concern. That allows the IG to focus limited resources into areas with the biggest potential for payback in terms of readiness and cost savings. In most instances, each Military Service is best equipped to determine if the area

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of hand tool purchase and accountability is warranted as an inspection item by its IG office. As the GAO reported, the Air Force Audit Agency has performed 35 local audits since 1989, and that problems found in the area of hand tool control are being addressed.

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RECOMMENDATIONS

Now on pp. 7-8.

- **RECOMMENDATION 1**: The GAO recommended that the Secretary of Defense require Military Services and Major Commands provide guidance to installations and operating units specifying the needed internal controls over hand tools. The GAO further recommended that those controls include requirements for prior authorization of tool purchases and maintenance of accurate inventory records that reflect tool receipts, issues, and quantities on hand. (p. 13/GAO Draft Report)

  DOD RESPONSE: Concur. While the DoD is generally satisfied with internal controls of each Military Service covering hand tools, the area of tool purchases appears to be an exception. In addition, the GAO report indicates execution problems of existing hand tool guidance that should be addressed. Accordingly, by March 31, 1995, the OSD will issue a memorandum to the Military Services directing that closer scrutiny must be paid to hand tool accountability, and that regulations, policies, and procedures governing hand tool purchases be strengthened.

Now on p. 8.

- **RECOMMENDATION 2**: The GAO recommended that the Secretary of Defense require that IG and internal audit staffs incorporate controls over hand tools in the periodic inspections that are performed at installations and operating units. (p. 13/GAO Draft Report)

  DOD RESPONSE: Concur. The OSD memorandum discussed in the DoD response to Recommendation 1 will also direct that each Service Secretary advise their IG and internal audit staffs to incorporate control of hand tools in periodic inspections at installations and operating units if they have not already done so.

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