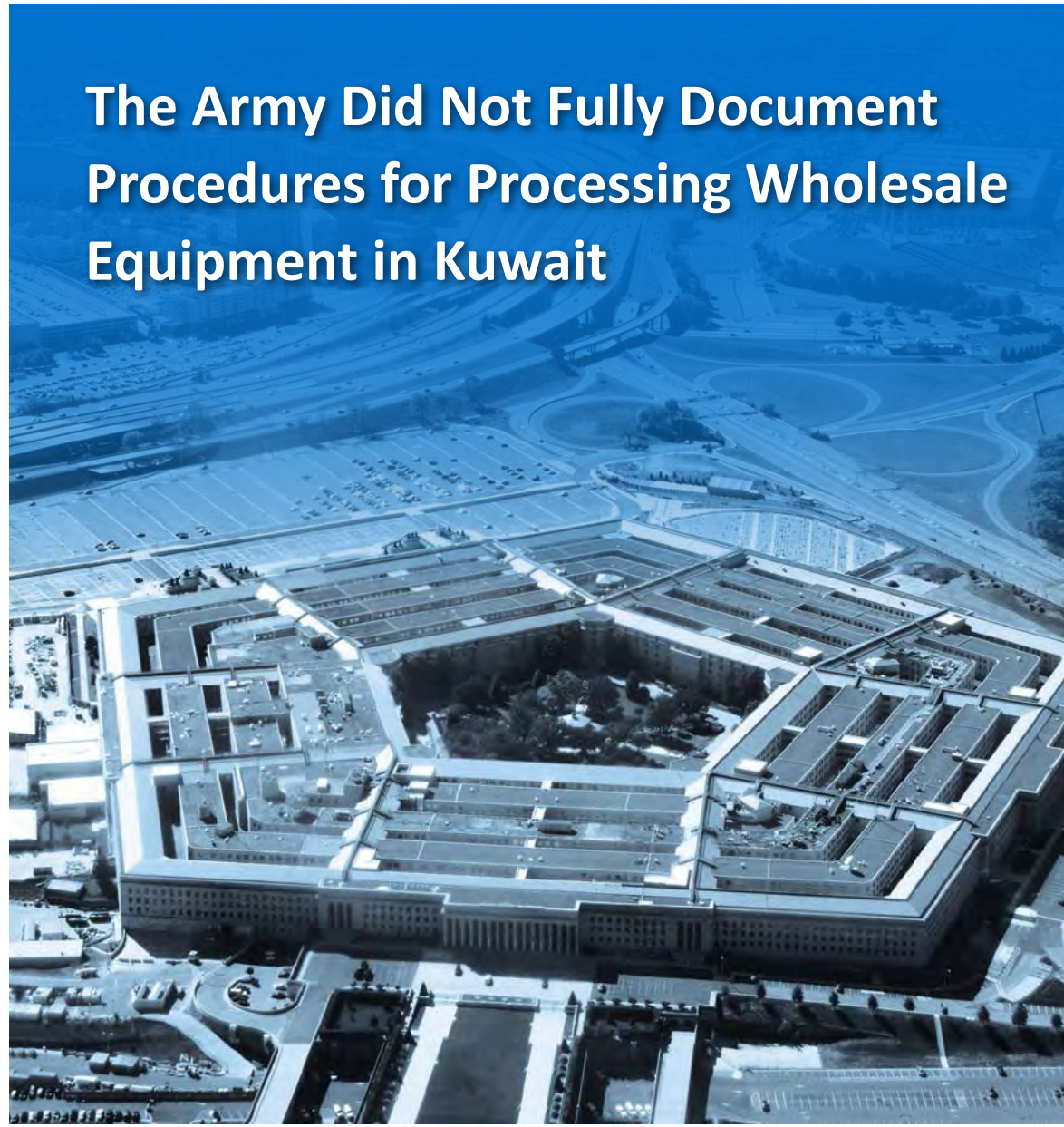




INSPECTOR GENERAL

U.S. Department of Defense

FEBRUARY 24, 2016



The Army Did Not Fully Document Procedures for Processing Wholesale Equipment in Kuwait

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Results in Brief

The Army Did Not Fully Document Procedures for Processing Wholesale Equipment in Kuwait

February 24, 2016

Objective

The objective was to determine whether the Army had effective controls for processing equipment in Kuwait. This project relates to the overseas contingency operation, Operation Inherent Resolve, and was completed in accordance with the OIG's responsibilities, as described in Section 8L of the Inspector General Act of 1978, as amended. This is the second in a series of audits on property accountability in support of Operation Inherent Resolve.

Findings

Army Field Support Battalion (AFSBn)-Kuwait generally had effective controls for processing—receiving, repairing, maintaining, storing, and preparing for issue—equipment at Camp Arifjan; however, it did not update existing standard operating procedures for processing Army Pre-Positioned Stock equipment or formalize its procedures for processing retrograde equipment. This occurred because AFSBn-Kuwait relied upon experienced Department of Army civilians to provide guidance to receive, maintain, and issue equipment instead of reviewing the existing standard operating procedures to determine areas requiring updates and documenting procedures being used. As a result, oversight of processing and maintaining equipment could be done in an ad hoc manner as experienced personnel redeploy, increasing the risk that equipment is misreported to Army Sustainment Command, unaccounted for, or stolen. In the event of increased operational tempo for

Findings (cont'd)

Operation Inherent Resolve, formal guidance for equipment processing is needed to ensure roles and responsibilities are established and equipment moving into and out of Camp Arifjan is properly accounted for and maintained.

During the audit, we also observed a lack of physical security controls for equipment stored in one location at Camp Arifjan. According to AFSBn-Kuwait officials, two generators, valued at \$52,000, were stolen as a result of poor security at this lot. The Commander, 401st Army Field Support Brigade, has initiated actions to correct the deficiency.

Management Actions Taken

During the audit, we advised the Commanders of the 401st Army Field Support Brigade and AFSBn-Kuwait that deficiencies in the controls for processing wholesale equipment existed. The Commanders agreed with our observations and immediately initiated steps to implement our suggested corrective actions. For example, AFSBn-Kuwait agreed to create new wholesale equipment standard operating procedures that will incorporate updated Army Pre-Positioned Stock procedures and establish retrograde procedures. AFSBn-Kuwait anticipated a completion date of March 1, 2016, for the standard operating procedures. The management actions taken addressed the concerns we identified; therefore, we are not making any additional recommendations.

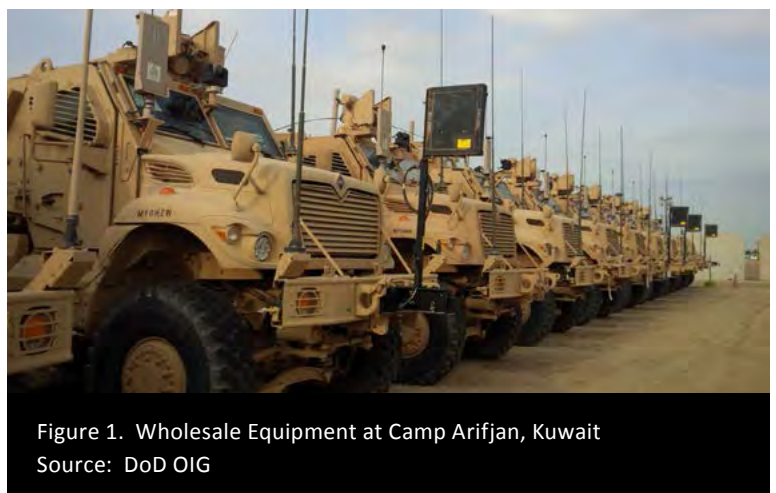


Figure 1. Wholesale Equipment at Camp Arifjan, Kuwait
Source: DoD OIG

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Recommendations Table

Management	Recommendations Requiring Comment
Commander, Army Field Support Battalion–Kuwait	None



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DEPARTMENT OF DEFENSE**
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February 24, 2016

MEMORANDUM FOR DISTRIBUTION

SUBJECT: The Army Did Not Fully Document Procedures for Processing
Wholesale Equipment in Kuwait (Report No. DODIG-2016-056)

We are providing this report for your information and use. No written response to this report was required, and none was received. This report relates to the overseas contingency operation, Operation Inherent Resolve, and was completed in accordance with the OIG's responsibilities, as described in Section 8L of the Inspector General Act of 1978, as amended. We conducted this audit in accordance with generally accepted government auditing standards.

Army Field Support Battalion–Kuwait generally had effective controls for processing equipment at Camp Arifjan; however, it did not update the existing standard operating procedure for Army Pre-Positioned Stock equipment and formalize its procedures for processing retrograde equipment. During the audit we notified officials from the 401st Army Field Support Brigade and Army Field Support Battalion–Kuwait of our findings. Army Field Support Battalion–Kuwait took prompt action to resolve each concern we identified; therefore, we will not make any recommendations in this report.

We appreciate the courtesies extended to the staff. Please direct questions to me at Michael.Roark@dodig.mil, (703) 604-9187 (DSN 664-9187).

A handwritten signature in cursive script that reads "Michael J. Roark".

Michael J. Roark
Assistant Inspector General
Contract Management and Payments

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Acronyms and Abbreviations



Introduction

Objective

Our objective was to determine whether the Army had effective controls for processing equipment in Kuwait. This report relates to the overseas contingency operation, Operation Inherent Resolve, and will be completed in accordance with the OIG's responsibilities, as described in Section 8L of the Inspector General Act of 1978, as amended. This is the second in a series of audits on property accountability in Kuwait. See Appendix A for the scope and methodology and Appendix B for the prior coverage related to the audit objective.

Background

Equipment in Kuwait provides critical support for U.S. and Coalition troops deployed in support of Operation Inherent Resolve. The Army receives, repairs, maintains, stores, and prepares equipment for issue in Kuwait. As of January 2016, the Army stored \$4.4 billion worth of equipment at Camp Arifjan, Kuwait.



Figure 2. Equipment stored at Camp Arifjan, Kuwait
Source: DoD OIG

Wholesale Equipment on Hand in Kuwait

Wholesale equipment are items stored and maintained until issued to a military unit. There are two types of wholesale equipment stored in Kuwait: Army Pre-Positioned Stock (APS) and retrograde stock. APS consists of pre-positioned sets of equipment, sustainment stocks, and ammunition. APS is Army equipment readily available to early deploying units to support worldwide operations and reduce airlift requirements. Retrograde is a process that moves equipment from a deployed theater to a reset program to replace, recapitalize, or repair the equipment in another theater of operations to replenish that theater's unit stocks or satisfy stock requirements. The Army redistributes equipment in accordance with theater priorities to meet mission requirements.

Equipment Processing Roles and Responsibilities

There are several Army organizations involved in processing equipment in Kuwait. The Army supplies equipment for operations in Kuwait through the Army Materiel Command. The Army Sustainment Command (ASC), a subordinate command of Army Materiel Command, provides sustainment-level logistics and supports Army, Joint, and Coalition forces through the management of pre-positioned stock. ASC executes operational sustainment support in Kuwait through the Army Field Support Brigade (AFSB). The brigade identifies equipment and resolves maintenance and materiel readiness problems for its assigned combatant command.

The Army Field Support Battalion (AFSBn)–Kuwait, a subordinate command of the 401st AFSB, manages wholesale equipment throughout Kuwait from its headquarters at Camp Arifjan, which includes maintaining property accountability records of identification data, gains and losses, incoming and outgoing equipment, and balances on hand or in use. Specifically, the battalion supports APS and retrograde operations, and its personnel serve as Contracting Officer's Representatives (COR) responsible for overseeing contractors' performance for wholesale equipment that enters into, and transfers out of, Kuwait. The AFSBn–Kuwait Wholesale Accountable Officer (AO) maintains oversight of all wholesale equipment at Camp Arifjan with the assistance of two Wholesale Responsible Officers (WRO) responsible for APS and retrograde, respectively.¹

Army Contracting Command–Rock Island awarded a contract² on February 27, 2015, to provide services in support of ASC and supply functions required to support equipment at Camp Arifjan. The contract performance work statement requires the contractor to coordinate the receipt, movement, repair, and inventory of wholesale

¹ AOs and WROs can also be designated as a COR. For example, the APS WRO that was in Kuwait in November 2015 also served as a COR.

² Contract No. W52P1J-15-C-0016.

equipment. Specifically, the performance work statement includes performance standards for processing both APS and retrograde equipment. For example, the performance work statement requires incoming equipment to be processed within 7 days of receipt with 98 percent accuracy. In addition, the contractor is required to maintain location accuracy, record accuracy, and reconciliation for all equipment until it departs Kuwait.

Review of Internal Controls

A DoD Instruction³ requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified an internal control weakness with AFSBn-Kuwait's documented procedures for processing equipment at Camp Arifjan, Kuwait. Specifically, AFSBn-Kuwait lacked updated and documented standard operating procedures (SOP). However, management has initiated corrective actions to update its SOPs for processing APS and retrograde equipment in Kuwait, which resolved the internal control weakness we identified. We will provide a copy of the report to the senior official responsible for internal controls in the Army.

³ DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

Finding

The Army Needs to Update and Document Procedures for Processing Equipment in Kuwait

AFSBn–Kuwait generally had effective controls for processing equipment at Camp Arifjan; however, it did not update the existing SOP for APS equipment or formalize its procedures for processing retrograde equipment. This occurred because AFSBn–Kuwait relied upon experienced Department of Army civilians to provide guidance to receive, maintain, and issue equipment instead of reviewing the existing SOP to determine areas requiring updates and documenting procedures being used. As a result, processing and maintaining oversight of equipment could be done in an ad hoc manner as experienced personnel redeploy, increasing the risk that equipment is misreported to ASC, unaccounted for, or stolen. In the event of increased operational tempo for Operation Inherent Resolve, formal guidance for equipment processing is needed to ensure roles and responsibilities are established and equipment moving into and out of Camp Arifjan is properly accounted for and maintained.

During the audit, we also observed a lack of physical security controls for equipment stored in one location at Camp Arifjan. According to AFSBn–Kuwait officials, two generators, valued at \$52,000, were stolen as a result of poor security at this lot. The Commander, 401st AFSB, has initiated actions to correct the deficiency.

The Army Field Support Battalion–Kuwait Demonstrated Controls for Processing Equipment

AFSBn–Kuwait generally had effective controls for processing equipment at Camp Arifjan. For example, the wholesale AO, WROs, and CORs described their methods for receiving, validating, and accounting for equipment at Camp Arifjan. To verify AFSBn–Kuwait’s controls, we observed the turn-in of 10 vehicles returned from Iraq, including AFSBn–Kuwait’s methods for validating receiving documentation, and accepting accountability for each vehicle. The WRO was present while the contractor initially off-loaded and prepared the vehicles for acceptance by AFSBn–Kuwait. The WRO then compared the serial and registration numbers of each vehicle against the receiving documentation provided and signed each document to officially transfer accountability of those vehicles to AFSBn–Kuwait. We observed the WRO provide the signed documentation to the contractor for further processing in the Army’s visibility and accountability systems.



Existing Procedures for Processing Army Pre-Positioned Stock Were Outdated

AFSBn-Kuwait had written procedures for processing APS equipment; however, the procedures were neither comprehensive nor updated. Specifically, the SOP⁴ for processing APS equipment included procedures for issuing APS equipment; however, the procedures for receiving equipment that we observed, were listed as “To Be Determined.” The APS SOP also did not include any procedures for reconciling the Army’s visibility and accountability systems to ensure equipment records were updated properly. In addition, the SOP included outdated information. For example, two of the systems referenced are no longer in use, and AFSBn-Kuwait was listed as a subordinate command to the 402nd AFSB, instead of properly referencing the 401st AFSB.

⁴ “Army Pre-Positioned Stock (APS-5) Issue and Turn-in Process,” May 1, 2012.

Procedures for Processing Retrograde Equipment Were Not Documented

While the existing APS SOP focused on procedures for processing APS equipment, there were no documented procedures for processing the \$1 billion worth of retrograde equipment stored at Camp Arifjan.

While the existing APS SOP focused on procedures for processing APS equipment, there were no documented procedures for processing the \$1 billion worth of retrograde equipment stored at Camp Arifjan. AFSBn–Kuwait personnel confirmed a lack of formal procedures and agreed that those procedures needed to be documented to assist the AO, WROs, and CORs in their roles and responsibilities for processing retrograde equipment. For example, one WRO highlighted the need to document the processes that we observed for receiving equipment as well as the processes for issuing equipment, performing inventories, and conducting COR duties. In addition, the AO stated that having documented procedures would have assisted him with transitioning into the AO position at Camp Arifjan.

Army Field Support Battalion–Kuwait Relied on the Experience of Enduring Personnel

AFSBn–Kuwait relied upon experienced Department of Army civilians to provide guidance on procedures to receive, maintain, and issue equipment instead of requesting the existing APS SOP be updated or formally documenting retrograde procedures. For example, the APS WRO was a Department of the Army civilian with over 4 years of experience working with wholesale equipment in Kuwait. This experience with the day-to-day operations of equipment processing allowed him to rely on his expertise to execute his roles and responsibilities instead of documenting the procedures he used. However, when he departed Kuwait in December 2015, those procedures and best practices were not documented to aid future AOs, WROs, and CORs in executing their roles and responsibilities. For example, the current AO and retrograde WRO had been deployed to Camp Arifjan for less than one year. Although the retrograde WRO had previous experience maintaining property accountability of wholesale equipment, he was new to processing equipment in Kuwait; and the AO had limited experience with wholesale equipment. Although AFSBn–Kuwait demonstrated existing controls for processing equipment, the procedures used to execute those controls need to be documented in comprehensive and updated AFSBn–Kuwait procedural documents.

Lack of Continuity of Operations for Processing Wholesale Equipment Could Lead to Misreporting and Theft

Processing equipment and maintaining oversight in an ad hoc manner increases the risk that equipment is misreported to ASC, unaccounted for, or stolen. For example, a previous DoD OIG report⁵ found that AFSBn–Kuwait did not properly account for 147,831 pieces of equipment between 2011 and 2013. This occurred because AFSBn–Kuwait personnel directed the contractor to inventory equipment using a method that did not ensure all equipment was accounted for monthly. Although AFSBn–Kuwait immediately addressed this inventory deficiency by issuing a Letter of Technical Direction to the contractor clarifying the performance work statement, the AFSBn–Kuwait did not update its procedures to include the correct inventory methods. Formalizing the modified methods for conducting inventories will ensure inventories are properly conducted in the future.

In addition, in the event of increased operational tempo for Operation Inherent Resolve, guidance for equipment processing is also needed to ensure roles and responsibilities are established and equipment moving in and out of Camp Arifjan is properly accounted for and maintained. Without established procedures, there could be a lack of continuity for maintaining and accounting for equipment and the implementation of controls can be left to the interpretation and past experience of incoming personnel. As AFSBn–Kuwait Department of Army civilians redeploy, taking their experience with them, there is an increased risk that less experienced and knowledgeable personnel will take their place or the positions could be left vacant. For example, over the past 12 months, several AFSBn–Kuwait Department of Army civilians have redeployed, taking with them years of experience.

⁵ DoD OIG Report No. DODIG 2015-178, “The Army Did Not Effectively Account for Wholesale Property in Kuwait,” September 22, 2015.

Concerns With Safeguarding Equipment at Camp Arifjan

During our site visit to Camp Arifjan, we observed a lack of physical security for non-sensitive equipment stored in one location at Camp Arifjan. Specifically, several broken fences in one lot left equipment vulnerable to theft.

According to AFSBn-Kuwait officials, two generators, valued at \$52,000, were stolen as a result of the poor security at this lot. If left unresolved, additional equipment losses could occur.

...two generators, valued at \$52,000, were stolen as a result of the poor security at this lot.

During the audit, we discussed our observations with 401st AFSB officials. The Commander, 401st AFSB, initiated actions to develop and award a contract to install new fencing for this area that will significantly improve security. Officials from the 401st AFSB also stationed additional guards throughout this area to increase security until the new fencing is installed.



Figure 4. Example of a Generator That Was Stolen
Source: DoD OIG

Management Actions Taken

During the audit, we advised the Commanders of the 401st AFSB and AFSBn-Kuwait that deficiencies in the controls for processing wholesale equipment existed. Specifically, we identified that AFSBn-Kuwait generally had effective controls over the processing of equipment at Camp Arifjan; however, it lacked formal procedures for processing APS and retrograde equipment and instead relied on the experience of enduring personnel.



AFSBn-Kuwait agreed to create new wholesale equipment SOPs that will incorporate updated APS procedures and establish retrograde procedures.

The Commanders agreed with our observations and immediately initiated steps to implement our suggested corrective actions. For example, AFSBn-Kuwait agreed to create new wholesale equipment SOPs that will incorporate updated APS procedures and establish retrograde procedures. AFSBn-Kuwait also assigned the AO and WROs to identify gaps in the existing SOP, gather lessons learned and best practices from AFSBn-Kuwait officials, and create new SOPs to capture procedures, such as:

- receiving equipment;
- issuing equipment;
- storage procedures;
- inventories; and
- COR duties and requirements.

AFSBn-Kuwait anticipated a completion date of March 1, 2016, for the new wholesale SOPs. The management actions taken during the audit addresses our suggestions; therefore, we are not making any additional recommendations.

Appendix A

Scope and Methodology

We conducted this performance audit from September 2015 through February 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We reviewed DoD and Army criteria to gain an understanding of the requirements for processing equipment in Kuwait. Specifically, we reviewed Army Regulation 710-2⁶, Army Regulation 735-5⁷, and the AFSBn-Kuwait's SOP for APS.

We conducted a site visit to Camp Arifjan, Kuwait, and observed the process for receiving wholesale equipment to determine whether procedures were in place to effectively process equipment. We met with officials from the 401st AFSB, AFSBn-Kuwait, U.S. Army Central Command, and 1st Theater Sustainment Command. We interviewed the AFSBn-Kuwait Wholesale AO, WROs, CORs, and other officials to discuss the roles and responsibilities related to processing equipment, which included APS and retrograde, in Kuwait. We conducted inventories of equipment to verify whether equipment recorded as on hand was physically located at Camp Arifjan. We also observed security procedures for safeguarding wholesale equipment stored in multiple locations at Camp Arifjan.

Use of Computer-Processed Data

We used computer-processed data for our audit. We used a spreadsheet created with data from the Army War Reserve Deployment System that contained information on wholesale equipment being stored at Camp Arifjan, such as the item name, serial number, and location. To verify the reliability of the data within the spreadsheet we conducted non-statistical testing using the data from the spreadsheet. We verified the serial numbers for 150 of the 17,950 pieces of retrograde equipment by conducting a physical inspection of the equipment and comparing the serial numbers to those in the spreadsheet. As a result, we determined that the information from the Army War Reserve Deployment System was sufficiently reliable for the purposes of our audit.

⁶ Army Regulation 710-2, "Inventory Management—Supply Accountability Below the National Level," March 28, 2008.

⁷ Army Regulation 735-5, "Property Accountability Policies," August 22, 2013.

Appendix B

Prior Coverage

During the last 5 years, the Government Accountability Office (GAO), the Department of Defense Inspector General (DoD IG), and Army Audit Agency issued 14 reports discussing property accountability. Unrestricted GAO reports can be accessed at <http://www.gao.gov>. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/pubs/index.cfm>. Unrestricted Army Audit Agency reports can be accessed from .mil and gao.gov domains at <https://www.aaa.army.mil/>.

GAO

Report No. GAO-13-185R, “Afghanistan Drawdown Preparations DoD Decision Makers Need Additional Analyses to Determine Costs and Benefits of Returning Excess Equipment,” December 19, 2012

Report No. GAO-11-774, “Iraq Drawdown Opportunities Exit to Improve Equipment Visibility, Contractor Demobilization, and Clarity of Post-2011 DoD Role,” September 2011

DoD IG

Report No. D-2015-178, “The Army Did Not Effectively Account for Wholesale Property in Kuwait,” September 22, 2015

Report No. D-2014-098, “The Army Did Not Properly Account for and Manage Force Provider Equipment in Afghanistan,” July 31, 2014

Report No. D-2014-043, “The Army Needs to Improve Property Accountability and Contractor Oversight at Redistribution Property Assistance Team Yards in Afghanistan,” March 4, 2014

Report No. D-2014-007, “Defense Logistics Agency Disposition Services Afghanistan Disposal Process Needed Improvement,” November 8, 2013

Report No. D-2012-138, “Wholesale Accountability Procedures Need Improvement for the Redistribution Property Assistance Team Operations,” September 26, 2012

Report No. D-2012-071, “DoD’s Management of the Redistribution Property Assistance Team Operations in Kuwait,” April 10, 2012

Report No. D-2010-091, “DoD Needs to Improve Management and Oversight of Operations at the Theater Retrograde–Camp Arifjan, Kuwait,” September 30, 2010

Report No. D-2010-088, "Accountability and Disposition of Government-Furnished Property in Conjunction With the Iraq Drawdown-Logistics Civil Augmentation Program," September 30, 2010

Army

Report No. A-2013-0056, "Retrograde Sort Process Afghanistan," February 26, 2013

Report No. A-2013-0048, "Materiel Management-Retrograde From Southwest Asia U.S. Army Forces Command," February 1, 2013

Report No. A-2011-0077, "Follow-Up Audit of Retrograde Operations in Iraq Class VII Theater Provided Equipment," April 12, 2011

Report No. A-2011-0063, "Redistribution Property Assistance Teams United States Forces-Iraq," February 14, 2011

Acronyms and Abbreviations

AFSB	Army Field Support Brigade
AFSBn	Army Field Support Battalion
AO	Accountable Officer
APS	Army Pre-Positioned Stock
ASC	Army Sustainment Command
COR	Contracting Officer's Representative
SOP	Standard Operating Procedures
WRO	Wholesale Responsible Officer



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