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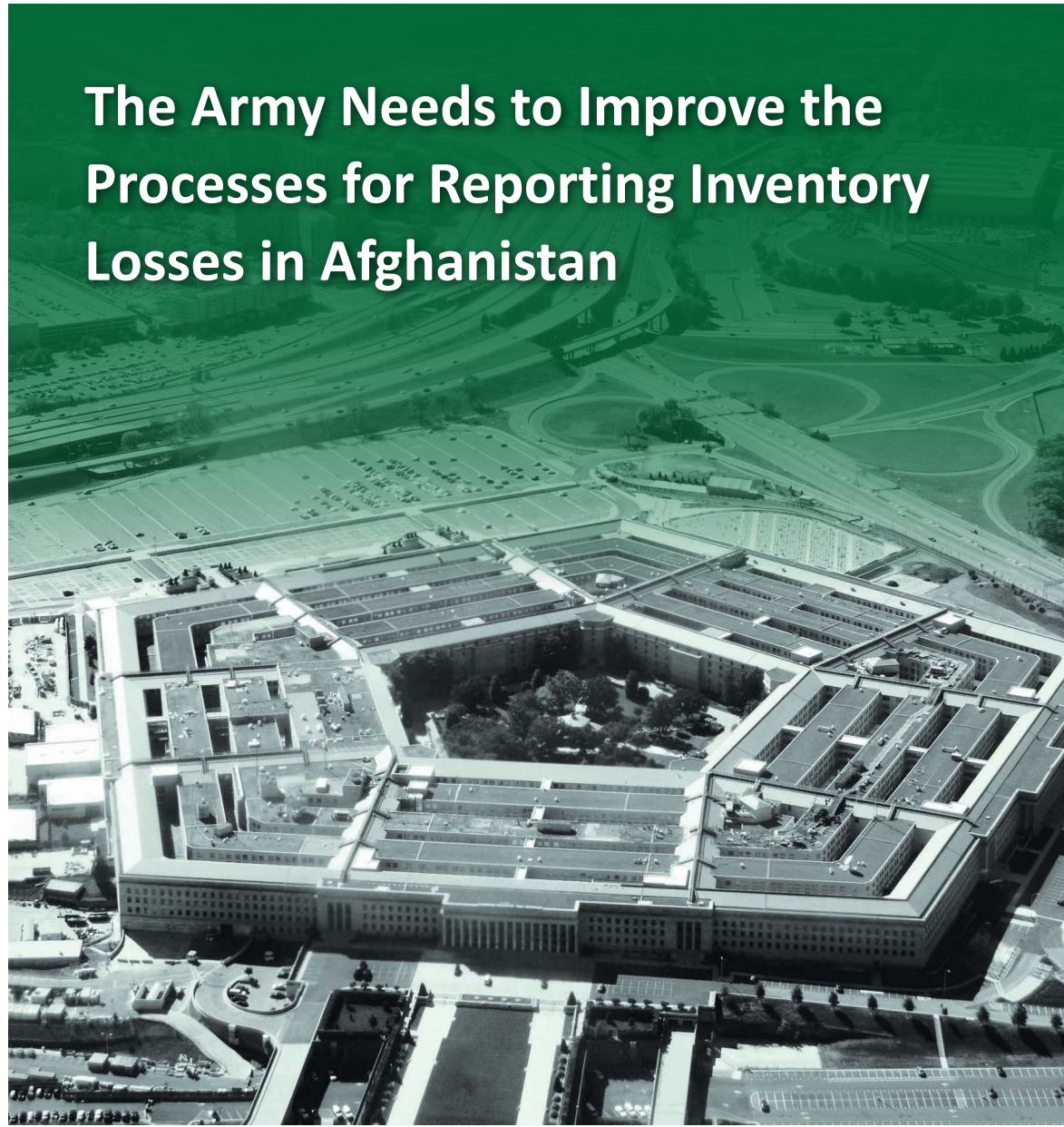
# INSPECTOR GENERAL

*U.S. Department of Defense*

OCTOBER 30, 2014



## The Army Needs to Improve the Processes for Reporting Inventory Losses in Afghanistan



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## Vision

*Our vision is to be a model oversight organization in the Federal Government by leading change, speaking truth, and promoting excellence—a diverse organization, working together as one professional team, recognized as leaders in our field.*



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# Results in Brief

## *The Army Needs to Improve the Processes for Reporting Inventory Losses in Afghanistan*

October 30, 2014

### Objective

Our objective was to determine whether DoD effectively identified and reported inventory losses in Afghanistan. This audit focused on reporting inventory losses at the Redistribution Property Assistance Team (RPAT) yards in Afghanistan. This is one in a series of audits about the transfer of equipment from Afghanistan to the United States for reset and redistribution.

### Findings

The Army did not effectively report FY 2013 inventory losses at the Bagram and Kandahar, Afghanistan RPAT yards. Specifically, the 401<sup>st</sup> Army Field Support Brigade (AFSB) did not report in a timely manner 15,600 pieces of missing equipment valued at approximately \$419.5 million. Although Army policy recommends a Financial Liability Investigation of Property Loss (FLIPL) be completed in 75 days, the 10 FLIPLs we reviewed averaged 318 days. Further, once the equipment was identified as lost, the 401<sup>st</sup> AFSB did not always correctly calculate and report the total loss to the U.S. government.

This occurred because the:

- 401<sup>st</sup> AFSB officials did not consider the inventory lost;
- 1<sup>st</sup> Theater Sustainment Command (TSC) lacked administrative control over the 401<sup>st</sup> AFSB;

### Findings (cont'd)

- 401<sup>st</sup> AFSB did not consistently apply depreciation and made mathematical errors when calculating total inventory losses; and
- 401<sup>st</sup> AFSB and 1<sup>st</sup> TSC secondary reviews focused on the legal sufficiency of the investigation's conclusions and recommendations and completeness of the FLIPL package instead of accuracy.

As a result of the reporting delays:

- the Army Sustainment Command does not have accurate accountability and visibility of property in Afghanistan;
- there is an increased risk that missing property will not be recovered; and
- no one was held financially responsible for the property losses or accountable for missed reporting deadlines.

During the course of the audit, we made several suggestions to the 401<sup>st</sup> AFSB and 1<sup>st</sup> TSC to resolve the reporting and processing problems. Both commands immediately acted upon our suggestions and resolved several of the concerns identified. We commend their efforts.

### Recommendations

We recommend that the Commander, 401<sup>st</sup> AFSB update the command's internal FLIPL standard operating procedure.

### Management Comments and Our Response

Comments from the Commander, 401<sup>st</sup> AFSB did not address the specifics of the recommendation; therefore, we request additional comments. Please see the recommendations table on the back of this page.

***Recommendations Table***

Management	Recommendations Requiring Comment	No Additional Comments Required
Commander, 401 <sup>st</sup> Army Field Support Brigade	Yes	

Please provide comments by December 1, 2014.





**INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500**

October 30, 2014

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: The Army Needs to Improve the Processes for Reporting Inventory Losses  
in Afghanistan (Report No. DODIG-2015-009)

We are providing this report for your review and comment. The Army did not report FY 2013 inventory losses in Afghanistan in a timely manner. Specifically, the 401<sup>st</sup> Army Field Support Brigade (AFSB) did not report in a timely manner 15,600 pieces of missing equipment valued at approximately \$419.5 million. This is one in a series of audits about the retrograde of equipment from Afghanistan.

We considered management comments on a draft of this report when preparing the final report. Comments from the Commander, 401<sup>st</sup> Army Field Support Brigade did not address the specifics of the recommendation; therefore, we request additional comments by December 1, 2014.

Please provide comments that conform to the requirements of DoD Directive 7650.3. Please send a PDF file containing your comments to [audrco@dodig.mil](mailto:audrco@dodig.mil). Copies of your comments must have the actual signature of the authorizing official for your organization. We cannot accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

Comments provided on the report must be marked and portion-marked, as appropriate, in accordance with DoD Manual 5200.01. If you consider any matters to be exempt from public release, you should mark them clearly for Inspector General consideration.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-9187 (DSN 664-9187).

A handwritten signature in black ink, reading "Michael J. Roark", is positioned above the typed name.

Michael J. Roark  
Assistant Inspector General  
Contract Management and Payments

# Contents

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## Introduction

Objective	1
Background	1
Review of Internal Controls	5

## Finding. The Army Did Not Effectively Report Inventory Losses in Afghanistan

The Army Did Not Report Inventory Losses in a Timely Manner	7
Army Sustainment Command Does Not Have Accurate Accountability and Visibility of Property in Afghanistan	18
Concerns With Safeguarding Sensitive Items Identified to the 401 <sup>st</sup> AFSB	19
Conclusion	20
Management Comments on the Finding and Our Response	20
Recommendation, Management Comments, and Our Response	22

## Appendixes

Appendix A. Scope and Methodology	23
Use of Computer-Processed Data	24
Use of Technical Assistance	24
Prior Audit Coverage	24
Appendix B. Concerns With Safeguarding Sensitive Equipment	25

## Management Comments

401 <sup>st</sup> Army Field Support Brigade	28
1 <sup>st</sup> Sustainment Command (Theater)	36

## Acronyms and Abbreviations

# Introduction

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## Objective

Our objective was to determine whether DoD effectively identified and reported inventory losses in Afghanistan. This audit focused on reporting inventory losses at the Redistribution Property Assistance Team (RPAT) yards in Afghanistan. See Appendix A for a discussion of our scope and methodology and prior audit coverage related to the audit objective. This is one in a series of audits about the retrograde of equipment from Afghanistan.

## Background

Retrograde is the process of moving equipment and materiel from a one theater of operations to a repair facility for reset, or to another theater of operations. For this audit, we focused on the loss of equipment and materiel, either remaining at, or transitioning through, the RPATs in Afghanistan.

### ***Redistribution Property Assistance Teams***

The Army uses RPATs to turn in all excess property units have in theater, redistribute equipment to fill shortages, and retrograde excess equipment to the United States. Specifically, RPATs in Afghanistan relieve redeploying Army units of their Theater Provided Equipment (TPE),<sup>1</sup> clear their property books, and prepare units to redeploy to their home stations. After relieving the units of accountability, RPATs either hold the TPE for deploying troops or process the equipment for retrograde. RPAT yards contain a variety of military equipment, including vehicles, weapons and weapons systems, and electronics and communications items. At the RPAT yards at Bagram and Kandahar, equipment held for a deploying unit stays in retail;<sup>2</sup> while equipment staged for retrograde moves from retail to wholesale.

### ***Roles and Responsibilities for Property Accountability***

Several Army commands have responsibilities for property accountability for equipment staged at the RPATs in Afghanistan. U.S. Army Central (ARCENT) shapes the U.S. Central Command area of responsibility in order to assure access, build partner capacity, and develop relationships. ARCENT coordinates security and logistics throughout the region and support retrograde operations from

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<sup>1</sup> Theater Provided Equipment refers to items designated by the Army to remain in the Area of Responsibility for the duration of the mission. All equipment received, drawn, or purchased in theater is considered Theater Provided Equipment. A unit may not redeploy with these items without Army headquarters approval.

<sup>2</sup> Equipment temporarily staged in retail includes items, such as vehicles, that stay in theater and are transferred from outgoing units to incoming units.

Afghanistan. The 1<sup>st</sup> Theater Sustainment Command (TSC) plans, prepares, and executes operational sustainment support and the re-posture of forces and sustainment in order to support operations throughout the U.S. Central Command Area of Responsibility. The 1<sup>st</sup> TSC is located at Fort Bragg, N.C., with two forward headquarters at Camp Arifjan, Kuwait, and Kabul, Afghanistan.

The Army Materiel Command provides materiel readiness – technology, acquisition support, materiel development, logistics power projection, and sustainment – to the total force, for all joint military operations. Army Sustainment Command (ASC) is a subordinate command that provides sustainment level logistics and supports Army, Joint, and Coalition forces through the management of prepositioned stocks.

The 401<sup>st</sup> Army Field Support Brigade (AFSB) executes, directs, and manages field and sustainment level logistics for U.S. and selected coalition forces in Afghanistan and provides its headquarters, the ASC, a forward presence. The 401<sup>st</sup> AFSB developed and operates the RPAT yards in Afghanistan. The 401<sup>st</sup> AFSB's two battalions at Bagram and Kandahar are responsible for executing all RPAT operations. The 401<sup>st</sup> AFSB Commander is responsible for overseeing all facets of the RPAT yard, including ensuring that all Government property is accounted for, cared for, and secured in accordance with Army regulations. At the RPAT yards, Primary Hand Receipt Holders (PHRHs) are officials responsible for inspecting, accepting, and maintaining accountability of equipment until it is transferred from their hand receipts. While the equipment is on their hand receipts, the PHRHs are responsible for maintaining the proper care, custody, security, and safekeeping of the equipment.

### ***Army Property Accountability Requirements***

Army Regulation (AR) 735-5, "Property Accountability Policies," May 10, 2013 (Rapid Action Revision), issue date August 22, 2013, states that all persons entrusted with Government property are responsible for the proper use, care, custody, safekeeping, and disposition of the Government property. AR 710-2, "Inventory Management, Supply Below the National Level," March 28, 2008, outlines the management and control of inventories or property accountability. Accountability deals with the obligation to keep records of property, which documents gains, losses, dues-in, dues-out, and balances on hand or in use. This regulation also establishes requirements for physical inventories of all property.

### ***DODIG Audit Report DoDIG-2014-043***

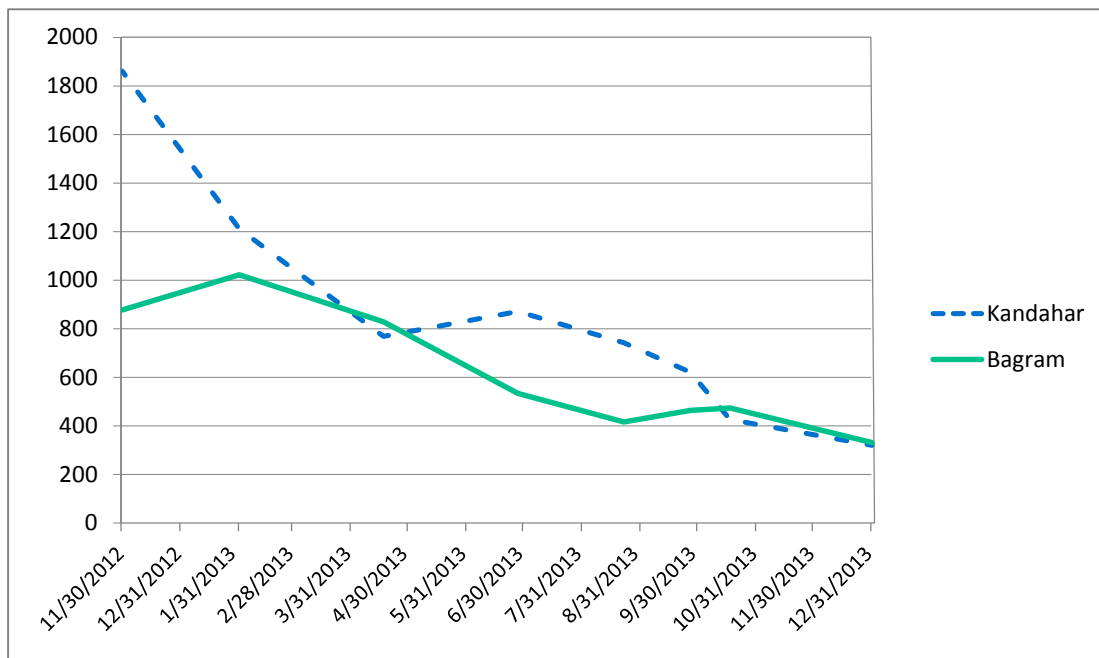
In March 2014, the DoDIG issued audit report DODIG-2014-043, "The Army Needs to Improve Property Accountability and Contractor Oversight at the Redistribution Property Assistance Team Yards in Afghanistan." The audit concluded that the



RPATs did not have effective procedures for processing and safeguarding retail and wholesale equipment at the RPAT yards in Afghanistan, which led to the Army reporting accumulated losses of \$586.8 million in equipment from May 2012 to May 2013. Several reasons were cited for the property losses, including the lack of sufficient resources at the RPATs. We recommended ASC conduct a review of the 401<sup>st</sup> AFSB personnel levels to determine whether PHRHs needed additional resources to fulfill their responsibilities of maintaining the proper care, custody, security, and safekeeping of retail equipment on their hand receipts.

(U//FOUO) The 401<sup>st</sup> AFSB changed the position description to the Logistics Management Series, which required each new PHRH possess property accountability expertise. In addition, according to 401<sup>st</sup> AFSB officials, the 401<sup>st</sup> AFSB hired an additional 18 PHRHs, which helped decrease the average number of items per hand receipt holder. For example, as Figure 1 illustrates, in just over one year, the average hand receipt reduced from more than 1,800 items at Kandahar and 800 items at Bagram RPATs, to fewer than 400 at each location.

(U//FOUO) Figure 1. Decrease in Average Number of Items Per Primary Hand Receipt Holders



Source: 401<sup>st</sup> AFSB

(U//FOUO)

### Task Force Jesup

(U//FOUO) In March 2014, in response to DoDIG audit report DODIG-2014-043, the 1<sup>st</sup> TSC Commanding General created Task Force (TF) Jesup to attain accountability and visibility of property previously unaccounted for through

(U//FOUO) the Financial Liability Investigation of Property Loss (FLIPL) recovery/property book reconciliation process. In addition, the Commanding General wanted to have complete equipment accountability and visibility of property in order to execute a drawdown of forces in Afghanistan, and be ready to respond to contingencies worldwide. TF Jesup has a four-phased approach to determine the amount of unaccounted for equipment, which will equate to the true loss to the U.S. government.

### ***Financial Liability Investigation of Property Loss***

The Army uses a FLIPL to account for lost, damaged, or destroyed Government property. The FLIPL process is governed by AR 735-5 and Department of Army (DA) Pamphlet (PAM) 735-5, "Property Accountability Financial Liability Officer's Guide," April 9, 2007, and is an investigation into the facts and circumstances surrounding the loss, damage, or destruction of Government property.

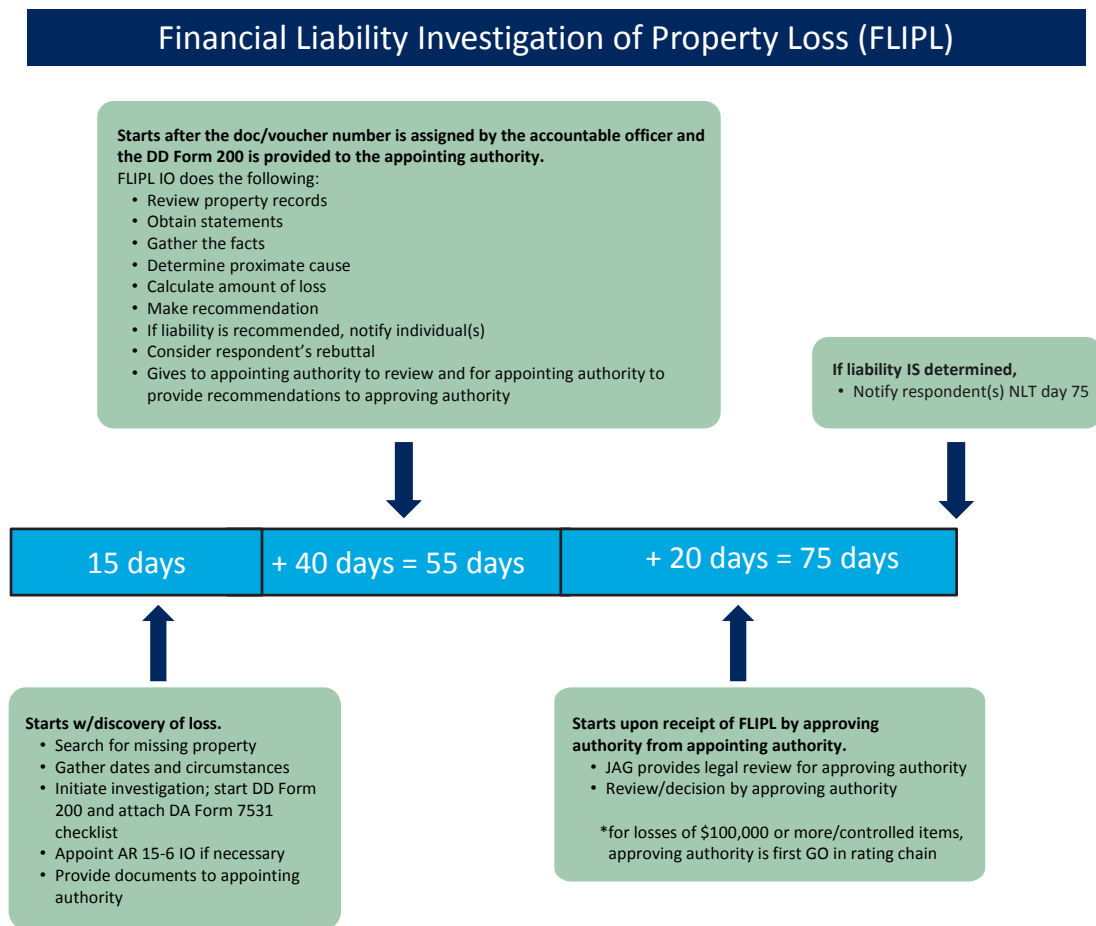
When property of a certain dollar amount or type is determined to be lost, the initiator completes DD Form 200, "Financial Liability Investigation of Property Loss," which provides the basic information on what property was lost and general information on how the property was lost. If deemed necessary, an Investigating Officer (IO)<sup>3</sup> conducts a thorough investigation to determine the circumstances involved in the loss. The IO gathers the facts and then determines who, if anyone, may be responsible. Once a determination is made, the IO recommends whether or not that individual should be held financially liable. The FLIPL package, including the DD Form 200 and associated exhibits, is provided to the approving authority, who must be the first general officer in the rating chain when Controlled Inventory Items (CII)<sup>4</sup> are lost or when the losses are greater than \$100,000.

AR 735-5 establishes specific timeframes and duties for all parties involved in the FLIPL process (Figure 2). The FLIPL process starts with the discovery of the loss of Government property. Once a property loss has been determined, the PHRH or accountable officer must search for the missing property, initiate the inventory loss investigation, and notify the approving authority within 15 days of the date of loss. A 40-day investigation and recommendation phase<sup>5</sup> will then ensue, followed by a 20-day adjudication process. According to the 401<sup>st</sup> AFSB's standard operating procedure (SOP), compliance with this timeline is essential for an accurate investigation.

<sup>3</sup> Before being appointed, an Investigating Officer is referred to as a Financial Liability Officer.

<sup>4</sup> Army Regulation 735-5, Section II, defines CIIs as items having characteristics requiring them to be identified, accounted for, secured, segregated, or handled in a special manner to ensure their safekeeping and integrity. CIIs are categorized as classified, sensitive, or pilferable, depending on the degree of control required.

<sup>5</sup> This phase consists of 30 days to investigate the loss and 10 days to make recommendations.

Figure 2. Excerpt from 1<sup>st</sup> TSC SOPSource: 1<sup>st</sup> TSC

## Review of Internal Controls

DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013, 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 internal control weaknesses for the 401<sup>st</sup> AFSB and 1<sup>st</sup> TSC related to the processing of property losses in Afghanistan. Management took corrective actions to address several of the concerns identified during the course of the audit. However, additional internal control weaknesses need to be corrected. Specifically, the 401<sup>st</sup> AFSB did not always correctly calculate and report total inventory losses to the U.S. government. We will provide a copy of the report to the senior official responsible for internal controls in the Department of the Army.

## Finding

### The Army Did Not Effectively Report Inventory Losses in Afghanistan

The Army did not effectively report FY 2013 inventory losses at the Bagram and Kandahar RPAT yards. Specifically, from our review of the 10 largest FLIPLs closed during the fiscal year, the 401<sup>st</sup> AFSB did not report 15,600 pieces of missing equipment valued at approximately \$419.5 million, in a timely manner. The missing equipment included weapons, weapons systems, and sensitive items. Although Army policy recommends a FLIPL to be completed within 75 days, the 10 FLIPLs we reviewed averaged 318 days from the date the inventory was determined to be lost to final approval. Further, once the 401<sup>st</sup> AFSB identified equipment as lost, the 401<sup>st</sup> AFSB did not always correctly calculate and report the total loss to the U.S. government.

This occurred because:

- 401<sup>st</sup> AFSB officials did not consider the inventory lost;
- 1<sup>st</sup> TSC lacked administrative authority over the 401<sup>st</sup> AFSB;
- 401<sup>st</sup> AFSB did not consistently apply depreciation when calculating total inventory losses and made mathematical errors; and
- 401<sup>st</sup> AFSB and 1<sup>st</sup> TSC officials re-established accountability of missing equipment based upon the Army's accountability systems instead of physically locating it.

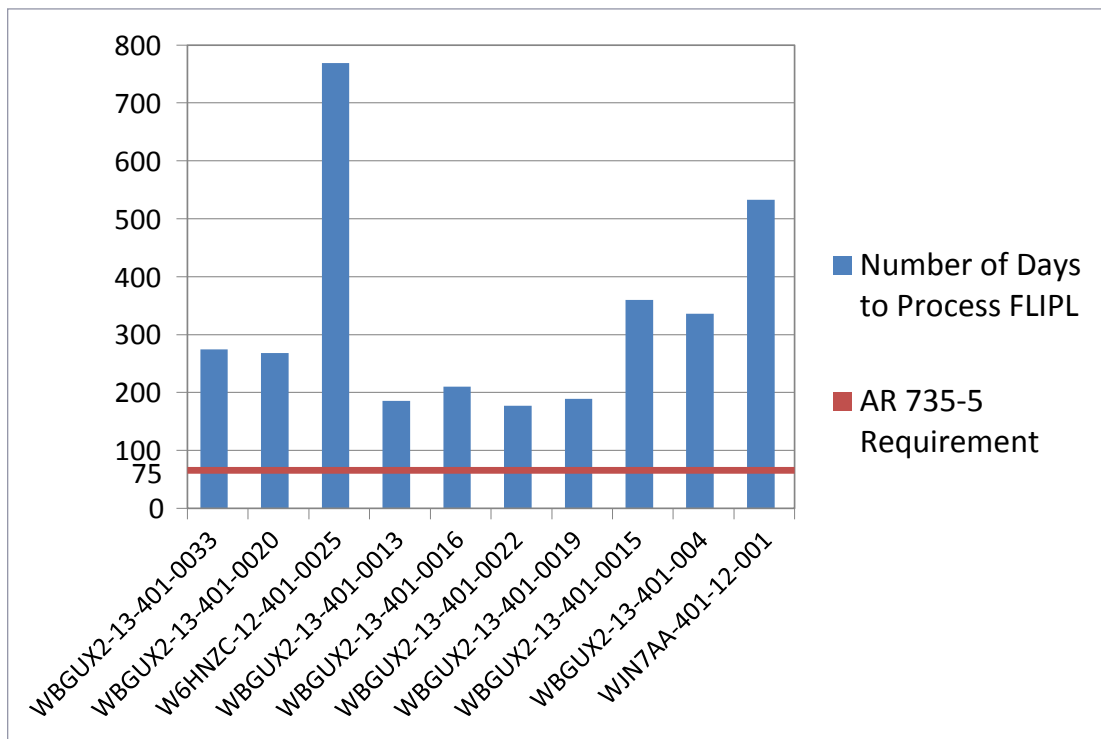
As a result of the reporting delays, the ASC does not have accurate accountability and visibility of property in Afghanistan; there is an increased risk that missing property will not be recovered; and no one was held financially responsible for the property losses or accountable for missed reporting deadlines.

During the audit, we also identified that equipment at the Bagram and Kandahar RPAT yards was not being safeguarded in accordance with applicable regulations. When notified of the problem, the Commander, 401<sup>st</sup> AFSB, promptly took action to correct the deficiencies identified.

## The Army Did Not Report Inventory Losses in a Timely Manner

The Army did not report FY 2013 inventory losses from the Bagram and Kandahar RPAT yards in a timely manner. AR 735-5 and 1<sup>st</sup> TSC and 401<sup>st</sup> AFSB FLIPL SOPs recommend that if the total inventory loss is greater than \$100,000 or includes CII, a FLIPL is to be completed within 75 days from the date of the discovery of the loss. However, Figure 3 illustrates that none of the 10 FLIPLs we reviewed met this processing timeframe. Instead of being processed within 75 days, the FLIPL process averaged 318 days, with one FLIPL taking 756 days to complete.

Figure 3. Number of Days to Process the 10 FLIPLs



Source: 401<sup>st</sup> AFSB

### Reporting Delays Resulted From a Lack of Urgency

The significant reporting delays were caused by a lack of urgency by the 401<sup>st</sup> AFSB. Specifically, 401<sup>st</sup> AFSB officials stated they believe that FLIPLs document the loss of property accountability rather than actual loss of property. According to a former 401<sup>st</sup> AFSB Commander, the 401<sup>st</sup> AFSB used the “it’s in country somewhere motto” as a justification to continue to look for missing equipment instead of submitting a FLIPL when loss of accountability occurred. This practice led to the belief that the missing equipment would eventually be found when forward operating bases close.



### *Found on Installation*

The 401<sup>st</sup> AFSB officials stated they believe that the majority of the missing equipment is out in the field being used by the warfighter. A 401<sup>st</sup> AFSB official stated that as forward operating bases close throughout Afghanistan, equipment previously reported on FLIPLs will eventually be found and brought back to record. The ASC, 1<sup>st</sup> TSC, and 401<sup>st</sup> AFSB officials are confident that a final reconciliation will show that most of the inventory losses will be located and brought back to record.

(U//FOUO) Since 2010, 309 forward operating bases have closed and only a fraction of lost items from previous FLIPLs have been located. For example, between 2006 and 2010, there were 174,247 pieces of equipment listed as unaccounted for on FLIPLs, valued at \$429.5 million. Figure 4 demonstrates that, as of May 30, 2014, only 40,690 (23 percent) of the total pieces of equipment and \$191.1 million (44 percent) of the total dollar amount have been recovered.

(U//FOUO) Figure 4. FLIPL Recovery Summary (2006 – 2010)

Year	Total Quantity	Loss Dollar Value	Recovered Quantity	Recovered Dollar Value	Total Dollar Value Outstanding
2006	947	\$8,144,918.19	289	\$3,957,279.51	\$4,187,638.68
2007	7,998	\$60,890,194.22	1,418	\$14,422,302.53	\$46,467,891.69
2008	34,719	\$60,172,753.17	12,902	\$35,822,038.68	\$24,350,714.49
2009	81,139	\$81,612,137.55	10,062	\$40,472,109.48	\$41,140,028.07
2010	49,444	\$218,721,263.05	16,019	\$96,454,110.46	\$122,267,152.59
<b>Total</b>	<b>174,247</b>	<b>\$429,541,266.18</b>	<b>40,690*</b>	<b>\$191,127,840.66</b>	<b>\$238,413,425.52</b>

\* The total recovered items also included equipment located within the accountability systems and combat losses.

Source: 1<sup>st</sup> TSC

(U//FOUO)

### *401<sup>st</sup> AFSB Initiated FLIPLs Late and Had Delays in Appointing Financial Liability Officers*

Since the 401<sup>st</sup> AFSB believed the majority of the property was not actually lost, they were slow to initiate FLIPLs. AR 735-5 requires the initiation of a FLIPL within 15 calendar days after the discovery of the loss. For 3 of the 10 FLIPL packages we reviewed, the 401<sup>st</sup> AFSB did not satisfy this requirement. For these FLIPLs, it took an average of 85 days to initiate the FLIPLs after the discovery of the loss, with one PHRH waiting 126 days after discovering equipment was missing to initiate his FLIPL. According to 401<sup>st</sup> AFSB and 1<sup>st</sup> TSC officials, the belief that the equipment was not really lost led PHRHs to try and find the equipment rather than initiate a FLIPL.

According to 401<sup>st</sup> officials, PHRHs would search through hundreds of containers at different RPAT sites in order to find equipment. While the PHRHs' searches often led to the recovery of some missing equipment, this effort was labor intensive and took a substantial amount of time.

After a FLIPL has been initiated, a financial liability officer (FLO) is appointed to investigate the loss or damage of Government property, determine the cause and value of the loss, and decide if financial liability is warranted. According to DA Pam 735-5, it is important for a FLO to start the investigation of property loss immediately, while the facts and circumstances are still fresh. However, for six of the nine<sup>6</sup> FLIPL packages we reviewed, by the time the FLO initiated the investigation, at least 75 days had already elapsed. On average, it took 293 days from the date of loss to appoint the FLO in order to begin the investigation. In one instance, the FLO was appointed nearly a year (298 days) after 3,638 pieces of equipment were determined to be missing.

According to 401<sup>st</sup> AFSB and 1<sup>st</sup> TSC officials, the 401<sup>st</sup> AFSB did not have an adequate number of trained FLOs to appoint. With a limited number of FLOs to appoint and multiple FLIPLs submitted simultaneously, a FLO was required to complete one investigation before being assigned another.

### *Prolonged Investigations Contributed to Missing Required Timeframes*

The 1<sup>st</sup> TSC and 401<sup>st</sup> AFSB internal FLIPL SOPs require the completion of the investigation phase within 30 days. Our review determined that the IOs averaged almost 62 days to complete this phase. One IO completed an investigation within the required timeframe; however, three IOs took more than 75 days to complete their investigations, including one that needed 111 days.

A discrepancy between 1<sup>st</sup> TSC and 401<sup>st</sup> AFSB guidance and actual practices carried out by IOs led to prolonged investigations. We spoke to two IOs who stated the intent of the FLIPL investigation phase is not only to determine the causes of inventory losses and establish financial liability, but to also try and find every piece of missing equipment. The IOs stated that locating missing equipment will reduce the size of the loss to the U.S. government. However, this often requires visiting multiple RPAT yards and sifting through hundreds of containers of equipment. As a result, the IOs stated that their investigations will generally extend well beyond the 30 days allocated for the investigative phase of the FLIPL process.

<sup>6</sup> For FLIPL WJN7AA-401-12-001, neither the FLIPL package nor the FLIPL Tracker provided an appointment date for the FLO; therefore, we could not determine when the FLO was appointed. As a result, we did not consider this FLIPL in this category.

However, according to the 1<sup>st</sup> TSC and 401<sup>st</sup> AFSB internal FLIPL SOPs, the IOs are not required to recover or locate missing equipment. Instead, both SOPs instruct the IO to identify responsibility, culpability, proximate cause, damages and recommendations by interviewing and obtaining statements from all individuals whose testimony may assist in deciding the cause of, or responsibility for, the missing items.

The 1<sup>st</sup> TSC and 401<sup>st</sup> AFSB officials stated some IOs spent too much time trying to locate the missing equipment instead of investigating the causes and determining financial liability. The 401<sup>st</sup> AFSB FLIPL SOP requires the Brigade S-4 and Legal Office to provide a thorough briefing for the newly appointed IO, on how to conduct an investigation. However, according to 401<sup>st</sup> AFSB officials, this verbal briefing does not address whether IOs should try to locate missing equipment.

### ***Management Actions Taken to Improve the Timeliness of Property Loss Reporting***

During the audit, we informed 401<sup>st</sup> AFSB officials of our observations from the 10 FLIPLs we reviewed and from our site visits to Bagram and Kandahar RPATs, such as the over-reliance on believing the equipment will eventually be found and the lack of clear guidance for completing property loss investigations, which led to significant reporting delays. We suggested the 401<sup>st</sup> AFSB provide training to all PHRHs to advise them that their responsibility is to try to locate missing equipment for up to 15 days from the discovery of the loss. After that point, the PHRH must initiate a FLIPL. The 401<sup>st</sup> AFSB also needs to have a team of trained FLOs available for immediate assignment to newly initiated FLIPLs. Finally, the 401<sup>st</sup> AFSB needs to determine its expectations for the IOs with respect to the recovery of missing equipment, update their internal SOP to reflect this determination, and brief their expectations to each appointed IO.

The 401<sup>st</sup> AFSB officials agreed with our observations and took several steps to resolve these concerns. Specifically, the 401<sup>st</sup> AFSB:

- holds weekly meetings with PHRHs to emphasize the need to initiate FLIPLs within 15 days of the discovery of the loss, rather than conducting searches;
- tracks the timeliness of FLIPL initiations;
- resolved that the role of the IO is to determine the causes of the loss and financial liability, not search for and locate the missing equipment;

- created a team that will assist with causative research<sup>7</sup> during the IO's investigation by searching the Army's accountability systems for missing equipment;
- established the "FLIPL Platoon" - five experienced FLOs solely responsible for conducting IO investigations on newly initiated FLIPLs;
- imposed a 21-day requirement for the IO to complete the investigation in an effort to meet the 30-day investigation timeframe; and
- updated IO training to include slides and verbal briefings, with an emphasis on expectations for each appointed IO.

The 401<sup>st</sup> AFSB officials stated that now FLOs are being appointed within 7 days after a FLIPL has been initiated and the IOs are averaging approximately 25-28 days per investigation for newly initiated FLIPLs. While not achieving their internal 21-day goal, recent investigations are within the 30-day time requirement in AR 735-5.

These actions addressed the concerns we identified; therefore, no additional actions are required.

### ***1<sup>st</sup> TSC Lacked Administrative Authority Over the 401<sup>st</sup> AFSB***

For property losses in excess of \$100,000, or involving CII, AR 735-5, ARCENT, 1<sup>st</sup> TSC, and 401<sup>st</sup> AFSB guidance assigns the first general officer within the initiating PHRH's rating chain as the Approving Authority for the FLIPL. The Approving Authority ensures the FLIPL process works to promptly discover, report, and investigate the loss of Government property, and has discretion to take administrative action to correct the causes of avoidable delays exceeding the established processing time limits.

Our review of 10 FLIPLs, which were all in excess of \$100,000, concluded that none were completed within the 75-day requirement. Only three FLIPLs were processed in less than 200 days; however, the fastest processed FLIPL took 168 days. Our review identified several examples where the PHRH took several months to report known inventory losses to the 1<sup>st</sup> TSC. According to ASC, 1<sup>st</sup> TSC, and 401<sup>st</sup> AFSB officials, in the past, one reason the 401<sup>st</sup> AFSB did not meet the FLIPL reporting timeframes was that some PHRHs withheld reports of known inventory losses until they were ready to redeploy. No administrative actions were taken against the PHRHs to address these avoidable delays.

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<sup>7</sup> According to Army Regulation 735-5, Section II, the purpose of causative research is to identify, analyze, and evaluate the cause(s) of inventory discrepancies to eliminate repetitive errors.

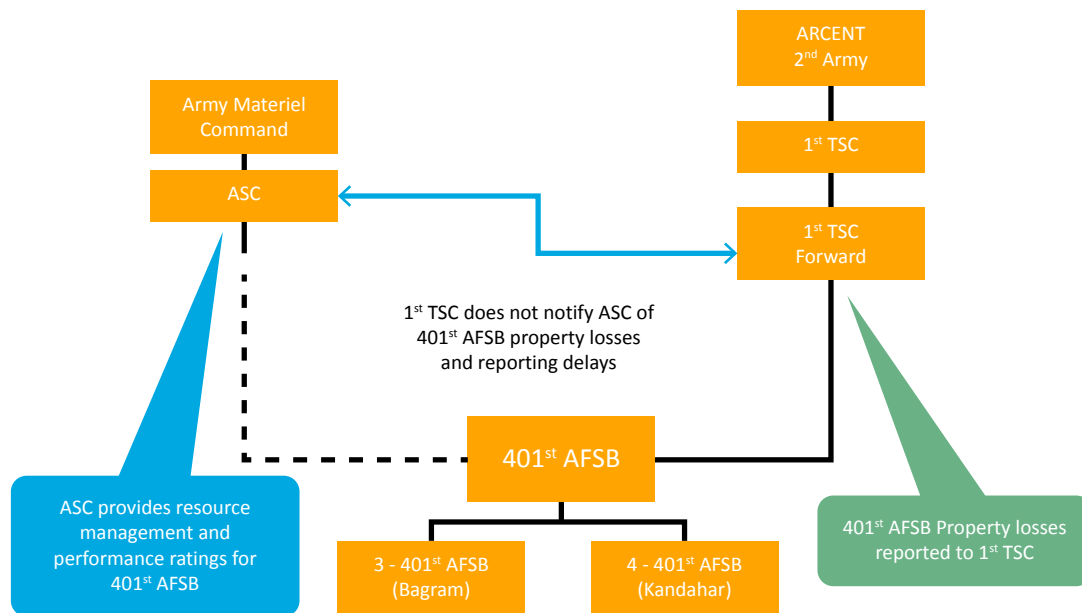
*Approving Authority Responsibility Changed from ASC to 1<sup>st</sup> TSC*

Previously, according to 1<sup>st</sup> TSC officials, the Approving Authority for the 401<sup>st</sup> AFSB's PHRHs was the first general officer at ASC. However, since ASC is located at Rock Island, Illinois, if the first general officer at ASC had any concerns or questions about the FLIPL investigation, that officer would either have to visit Afghanistan or direct a subordinate to resolve the issues. According to 1<sup>st</sup> TSC officials, in 2010, U.S. Forces-Afghanistan decided that property lost within Afghanistan was best investigated by officials presently in Afghanistan, because it was where the property was lost and the individuals involved were located.

As a result, 1<sup>st</sup> TSC, which assumed the sustainment and retrograde mission in Afghanistan in 2012, became the Approving Authority for FLIPLs in excess of \$100,000, or containing CII. According to 1<sup>st</sup> TSC officials, 1<sup>st</sup> TSC were responsible for the oversight of the day-to-day care, custody, and safeguarding of Government property and the processing of property loss investigations. For example, 1<sup>st</sup> TSC reviewed the FLIPL's conclusions and recommendations for legal sufficiency, adequacy, and completeness. ASC's responsibility became administrative in nature, and primarily concerned with resource management (such as personnel staffing) and performance ratings for commanders in the field. Consequently, 1<sup>st</sup> TSC can issue guidance to the 401<sup>st</sup> AFSB about property accountability and property loss procedures; however, 1<sup>st</sup> TSC lacks the authority to enforce compliance with its directives and Army regulations. 1<sup>st</sup> TSC officials stated this approach is ineffective because ASC does not have awareness of the magnitude of the FLIPL losses or the delays in processing the FLIPLs; yet it is responsible for personnel decisions, including rating commanders' performance, without requesting input from the 1<sup>st</sup> TSC. Figure 5 illustrates the 401<sup>st</sup> AFSB's relationship with 1<sup>st</sup> TSC and ASC.



Figure 5. Relationship between 401<sup>st</sup> AFSB, 1<sup>st</sup> TSC, and ASC



Source: DoDIG

### ***Management Actions Taken to Address Administrative Control Shortfalls***

We informed the 1<sup>st</sup> TSC that ASC should be aware of inventory losses at the RPAT yards and the delays in processing FLIPLs, especially the instances of delays in reporting property losses. We suggested 1<sup>st</sup> TSC report to ASC, on a regular basis, an update on the status of inventory losses and any reporting and processing delays by the 401<sup>st</sup> AFSB. In addition, for instances where the 1<sup>st</sup> TSC believes there were avoidable delays on the part of the 401<sup>st</sup> AFSB, 1<sup>st</sup> TSC provides the necessary support directly to ASC to take the appropriate administrative action.

In May 2014, the 1<sup>st</sup> TSC Deputy Commanding General met with the ASC Commanding General in Kabul, Afghanistan, to discuss the most effective way of reporting the status of property losses and processing delays. The meeting concluded with an agreement to conduct regularly scheduled teleconferences between 1<sup>st</sup> TSC and ASC officials to provide status updates on new property losses. In addition, when the 1<sup>st</sup> TSC identifies specific instances of reporting and processing delays by the 401<sup>st</sup> AFSB, 1<sup>st</sup> TSC will immediately contact ASC officials. Further, ASC officials have begun determining the administrative and operational roles and responsibilities for the safeguarding of Government property and the processing of property loss investigations for future contingencies. These actions addressed the concerns we identified; therefore, no additional actions are required.

### ***401<sup>st</sup> AFSB Did Not Accurately Calculate Inventory Losses***

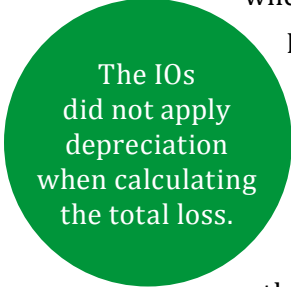
As part of the FLIPL process, DA Pam 735-5, paragraph 5-1, requires the IO determine the cost of the loss to the U.S. government. For the 10 FLIPLs we reviewed, the 401<sup>st</sup> AFSB did not accurately calculate the loss to the U.S. government. Specifically, the IO's cost calculations did not consistently apply depreciation and included large mathematical errors.

#### ***Depreciation Was Not Consistently Applied***

As part of the FLIPL process, the actual loss to the U.S. government must be determined. The charge should represent the actual cost, which is the difference between the value of the property immediately before its loss and its value immediately after. When determination of fair market value is not possible, AR 735-5 allows the computation of the value at the time of loss by subtracting depreciation from the current price of purchasing a new item.

For 7 of the 10 FLIPLs we reviewed, the IOs did not apply depreciation when calculating the total loss to the U.S. government. This occurred because the IOs did not follow AR 735-5, Appendix B, which required the application of depreciation

when computing the actual loss to the Government when property is lost. The regulation provides various methods for calculating depreciation (based on age, condition, and type of property). However, DD Form 200 lists the national stock number, item description, quantity, unit cost, and total cost for each piece of missing equipment; it does not include the age or condition of the property. In cases where this information is unknown, such as a piece of equipment's service time cannot be determined, AR 735-5 allows for depreciating a standard 25 percent.<sup>8</sup> Applying depreciation to the seven remaining FLIPLs from our sample would provide a more realistic value of the total loss to the U.S. government.



The IOs did not apply depreciation when calculating the total loss.

#### ***Mathematical Errors Were Made in Calculating Inventory Losses***

Our review identified several mathematical errors by the IOs when determining the total loss reported on a FLIPL. For example, during the course of his investigation, an IO located 58 pieces of property; however, when calculating the total loss, the IO did not deduct the value of the located items. In addition, an IO determined that the FLIPL included over \$228,000 of duplicate items, which the IO did not deduct.

<sup>8</sup> Due to the rough terrain in Afghanistan, 1<sup>st</sup> TSC and 401<sup>st</sup> AFSB officials agreed with applying the standard 25 percent depreciation for property listed on the DD Form 200.

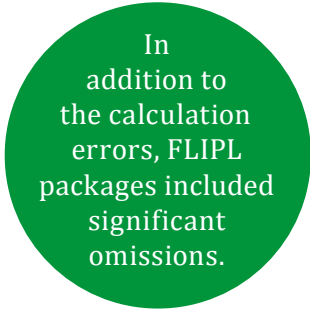
In another FLIPL, the IO applied 25 percent depreciation, totaling \$15.8 million; however, the IO did not deduct this amount when calculating the total loss. As a result, the IOs over-reported the total losses for two FLIPLs by approximately \$24 million.

### *Secondary Reviews Did Not Detect FLIPL Errors and Omissions*

According to 401<sup>st</sup> AFSB and 1<sup>st</sup> TSC officials, once the IO completes the investigation, a legal review of the FLIPL package is done by the 401<sup>st</sup> AFSB to determine legal sufficiency, followed by a review by the Brigade S-4 to ensure the FLIPL submission includes all exhibits and is in an acceptable format for the Appointing Authority. The Appointing Authority conducts a final administrative review of the FLIPL package.

After the Appointing Authority approves the FLIPL, the information is updated into the FLIPL Tracker spreadsheet, and the FLIPL package is sent to the 1<sup>st</sup> TSC where a similar review process occurs. Specifically, the FLIPL package undergoes a legal review by the 1<sup>st</sup> TSC Staff Judge Advocate, followed by the G-4 review, and a final review and approval by the Approving Authority.

In addition to the calculation errors, FLIPL packages included significant omissions. The PHRH initially completes the DD Form 200 to document the loss of each piece of missing equipment. The DD Form 200 requires listing the national stock number or line item number, item description, quantity, unit cost, and total cost for each piece of missing equipment. In addition to the item description, the PHRH must list the unique serial number(s). The individual serial numbers are necessary to properly identify the item to be deducted from the PHRH's hand receipt. According to 401<sup>st</sup> AFSB officials, the IO reviews this document to determine the number and total cost of the missing equipment. In addition, this form is reviewed by the 401<sup>st</sup> AFSB and 1<sup>st</sup> TSC officials for accuracy and completeness.



In addition to the calculation errors, FLIPL packages included significant omissions.

Our review identified instances where the PHRH did not provide the serial numbers for the quantity listed as missing. For example, Figure 6 documents the PHRH indicating 55 individual items were missing; however, the PHRH only provided two serial numbers. Without providing all serial numbers, the IO will be unable to conduct any causative research for the remaining 53 items, because they cannot be properly identified. Even if the 53 items are later located as Found on Installation, it will be impossible to reconcile the located equipment against this FLIPL. The 53 unidentifiable items account to more than \$800,000.00.

Figure 6. Excerpt from DD Form 200

CONTINUATION OF BLOCKS 4 - 8					Page 1 of 1
1. DATED (YYYYMMDD)	2. INQUIRY/INVESTIGATION NUMBER				
4. NATIONAL STOCK NO./ LINE ITEM NO.	5. ITEM DESCRIPTION	6. QTY	7. UNIT COST	8. TOTAL COST	
433001C045515 SB306H	PUMP CENTRIFUGAL: SELF PRIMING RS3A31 SN:1349592N	1	\$6,755.68	\$6,755.68	
7010015138459 C18378	COM SEAN/UYK-128(V)3 000116543,000120086	55	\$15,850.00	\$871,750.00	
582001C023694 FA203M	RECEIVER-TRANSMITTER, RA: HARRIS HANDHELD SN: 63289	1	\$26,000.00	\$26,000.00	
5895015517316 FA9525	TERMINAL, SATELLITEC-(MT-2011F) SN: 000178134	1	\$2,013.00	\$2,013.00	

Source: 401<sup>st</sup> AFSB

The 401<sup>st</sup> AFSB secondary review did not identify FLIPL calculation errors and omissions because the emphasis of the review was on determining whether there was legal sufficiency to hold someone financially liable. If an individual is being held financially liable, the 401<sup>st</sup> AFSB S-4 will check the accuracy of the IO's calculations; however, in the event no one is being held financially liable, the S-4 does not thoroughly review the total loss calculations to ensure depreciation is applied, mathematical errors are identified and corrected, and the required equipment serial numbers are included.

Similar to the 401<sup>st</sup> AFSB, the 1<sup>st</sup> TSC is primarily concerned with establishing legal sufficiency of the IO's findings and conclusions. Previous 1<sup>st</sup> TSC G-4 officials said they performed a quality control review of the FLIPL submission, but stated this review only consisted of ensuring all required exhibits were included. The G-4 officials did not review the FLIPL submission for accuracy of calculations or inclusion of required equipment serial numbers. According to G-4 officials, they relied upon the 401<sup>st</sup> AFSB's S-4 review to identify any calculation errors.

### ***Management Actions Taken to Improve the Calculation of Total Losses and FLIPL Package Reviews***

We informed 401<sup>st</sup> AFSB officials that IOs did not consistently apply depreciation, as required by AR 735-5, and made mathematical errors when calculating the total loss to the U.S. government. We suggested the 401<sup>st</sup> AFSB address these deficiencies by updating its SOP to include a reference to AR 735-5, Appendix B, and providing additional training to IOs with an emphasis on depreciation and verifying total loss calculations to ensure the correct amount has been computed. We also suggested the 401<sup>st</sup> AFSB recalculate the total loss for the 10 FLIPLs in our sample, including the application of depreciation and correction of mathematical errors, to determine the actual total loss for each FLIPL. In addition, we informed

the 401<sup>st</sup> AFSB and 1<sup>st</sup> TSC that PHRHs did not consistently identify the serial numbers of all pieces of missing equipment. Secondary reviews by 401<sup>st</sup> AFSB and 1<sup>st</sup> TSC officials should have identified and corrected these errors. We suggested that, regardless of whether someone is held financially liable, the 401<sup>st</sup> AFSB and 1<sup>st</sup> TSC should conduct a thorough review of the entire FLIPL package, including verifying all required serial numbers are listed on the DD Form 200.

Both the 401<sup>st</sup> AFSB and 1<sup>st</sup> TSC agreed with our suggestions and took actions to address these shortfalls. The 401<sup>st</sup> AFSB updated its SOP to include specific references to AR 735-5, Appendix B. In addition, 401<sup>st</sup> AFSB officials stated each new IO will receive additional training, including the application of depreciation and verifying all calculations. Further, 401<sup>st</sup> AFSB officials also stated they will address the total loss calculations for the 10 FLIPLs in our sample to ensure that the correct amount is determined. In addition, the 401<sup>st</sup> AFSB updated its SOP to require the Brigade S-4 provide a thorough review of all total loss calculations for all FLIPLs, regardless of whether financial liability has been recommended. A new, expanded unit recently replaced the previous 1<sup>st</sup> TSC G-4. The 1<sup>st</sup> TSC requires its G-4 to review each FLIPL submission to confirm all serial numbers for missing equipment are listed and accurate total loss calculations. These actions addressed the concerns we identified; therefore, no additional actions are required.

### ***401<sup>st</sup> AFSB and 1<sup>st</sup> TSC Officials Relied Upon the Army's Accountability Systems to Locate Missing Equipment***

During the course of a FLIPL investigation, property is often found by the IOs. AR 735-5 provides detailed instructions on how to re-establish accountability. However, neither AR 735-5 nor the 1<sup>st</sup> TSC and 401<sup>st</sup> AFSB FLIPL SOPs detail the appropriate method to locate missing equipment. For example, during our review, we identified several different methods IOs used to locate missing equipment, such as physically searching RPAT yards and the Defense Reutilization and Marketing Office, discussions with contractor personnel, and research through various Army accountability systems, such as Property Book Unit Supply Enhanced (PBUSE), Logistics Inventory Warehouse (LIW), and Army War Reserve Deployment System (AWRDS).

For several of the FLIPLs we reviewed, the IO investigations included causative research of the Army's accountability systems to locate missing equipment, thereby reducing the overall FLIPL amount. One FLIPL exclusively used the accountability systems to locate and re-establish accountability of more than \$1.6 million of missing property. The IO did not physically find the missing equipment; instead, the IOs found the equipment within the Army's accountability systems.



In addition, in May 2014, TF Jesup reported that approximately 169,000 pieces of previous inventory losses had been located within the Army's accountability systems. However, audit report DODIG-2014-043 identified significant inconsistencies with the Army's accountability systems (PBUSE and AWRDS); specifically, in April 2013, based on book-to-floor testing, the audit team was unable to locate approximately 37 percent of the retail and wholesale equipment listed in PBUSE and AWRDS as present at either the Bagram or Kandahar RPATs. Therefore, the 401<sup>st</sup> AFSB and 1<sup>st</sup> TSC cannot assume that a piece of previously missing equipment located in the Army's accountability systems by TF Jesup is actually recovered and can be deleted from the FLIPL.

The 401<sup>st</sup> AFSB and TF Jesup's current practice is to research the accountability systems to locate the missing equipment. If found within the accountability systems, a snapshot of the computer screen is included in the FLIPL package to document the equipment was found as a basis to re-establish property accountability. The accountability systems should be used as a starting point to locate property; however, in order to properly recover missing property, the property should be physically located by the IO (or, if at another RPAT yard or depot, an official from that facility) before re-establishing property accountability. 401<sup>st</sup> AFSB officials should update their internal FLIPL SOP to clarify the proper methods to locate and re-establish property accountability to include physically locating any missing equipment before re-establishing accountability.

## **Army Sustainment Command Does Not Have Accurate Accountability and Visibility of Property in Afghanistan**


Due to the significant delays in reporting inventory losses, ASC does not have an accurate accountability and visibility of its property at the RPAT yards in Afghanistan. ASC, as the owner of all Army TPE, relies upon the 401<sup>st</sup> AFSB to properly account for and safeguard the equipment while in its possession. ASC must have total equipment accountability and visibility of TPE property in order to properly execute the drawdown of forces in Afghanistan and be ready to respond to contingencies worldwide. From our review of 10 FLIPLs, the 401<sup>st</sup> AFSB had significant delays in initiating, investigating, and ultimately reporting the loss of 15,600 pieces of TPE from the RPATs. These delays resulted in ASC officials not knowing precisely which pieces of equipment were available to be issued to a deploying unit or retrograded back to the United States.

### ***Increased Risk Lost Sensitive Equipment Is Not Recovered***

Thousands of pieces of highly sensitive equipment, including encryption devices, radios, and weapons, have been staged at RPAT yards prior to being issued to deploying units or retrograded back to the United States. The intent of the requirements to report and investigate property losses in a timely manner is to allow the investigator the opportunity to interview witnesses while the facts are still fresh. In Afghanistan, the need to report and investigate property losses quickly is especially important since the person who may be held financially responsible for the loss may have re-deployed. In addition, for any equipment possibly stolen, timely reporting of the property losses is critical to any efforts to recover the missing items. Security officials for 1<sup>st</sup> TSC stated that with each passing day, the likelihood of locating missing equipment significantly decreases.

### ***No One Held Accountable for Property Losses***

Even though Army guidance and 1<sup>st</sup> TSC and 401<sup>st</sup> AFSB SOPs list the responsibilities for safeguarding Government property and promptly reporting property losses, for the 10 FLIPLs we reviewed, the 401<sup>st</sup> AFSB lost accountability of 15,600 pieces of equipment and did not report these losses in a timely manner. Neither ASC nor 1<sup>st</sup> TSC held anyone accountable for the equipment or missing the reporting timeframes. Until the systemic property accountability and reporting delay issues are resolved, ASC and 1<sup>st</sup> TSC will continue to be unable to hold anyone either financially or administratively responsible for property losses and delayed reporting.



Neither ASC nor 1<sup>st</sup> TSC held anyone accountable for the equipment or missing the reporting timeframes.

### **Concerns With Safeguarding Sensitive Items Identified to the 401<sup>st</sup> AFSB**

During site visits to the Bagram and Kandahar RPATs, we identified weaknesses over the security and handling of CIIs that, if left unresolved, could result in the compromise of sensitive information. During the audit, we notified the 401<sup>st</sup> AFSB of our observations so that 401<sup>st</sup> AFSB personnel could take immediate action to remediate the security deficiencies. Officials at both locations took actions; therefore we are not making recommendations. For a detailed explanation of our observations and the 401<sup>st</sup> AFSB's corrective actions, see Appendix B.

## Conclusion

The Army needs to improve the reporting of inventory losses at the RPATs in Afghanistan. From our review of the 10 largest dollar FLIPLs closed during FY 2013, the 401<sup>st</sup> AFSB did not report the loss of 15,600 pieces of equipment, valued at approximately \$419.5 million, in a timely manner. Specifically, instead of completing each FLIPL within the AR 735-5 recommended 75 days, the 10 FLIPLs we reviewed averaged 318 days to complete. In addition, the 401<sup>st</sup> AFSB did not always correctly calculate and report the total loss to the U.S. government. The 1<sup>st</sup> TSC and 401<sup>st</sup> AFSB implemented several corrective actions to resolve these issues. However, 401<sup>st</sup> AFSB officials need to determine the proper methods to locate, recover, and re-establish missing equipment.

## Management Comments on the Finding and Our Response

### *401<sup>st</sup> Army Field Support Brigade*

The Commander, 401<sup>st</sup> Army Field Support Brigade commented on several challenges we identified that the 401<sup>st</sup> AFSB's faced regarding reporting inventory losses in Afghanistan. Specifically, we described how the 401<sup>st</sup> AFSB officials did not consider the equipment as lost; 1<sup>st</sup> TSC lacked the administrative authority over the 401<sup>st</sup> AFSB; and 401<sup>st</sup> AFSB did not consistently apply depreciation when calculating total inventory losses and made mathematical errors. The Commander, 401<sup>st</sup> AFSB responded to factors we identified and provided a list of key property accountability management changes instituted to address inventory losses, including developing property management internal standard operating procedures, training PHRHs, and reducing the amount of property under each PHRH's control. In addition, the 401<sup>st</sup> AFSB revamped the Property Accountability Processes and property management structure to improve property accountability. For the complete list of actions taken by the 401<sup>st</sup> AFSB, see pages 30 through 32, paragraph 1a-1i.

The Commander, 401<sup>st</sup> AFSB also stated the TF Jesup team conducts causative research utilizes the Army's accountability systems, including PBUSE, AWRDS, and Logistics Modernization Program (LMP) to locate missing property. Once equipment is found within the Army's accountability system, a computer screen is printed to provide an audit trail of the location of the equipment. According to the Commander, since the data is pulled from the Army's accountability system, it provides real-time and accurate data. In addition, he mentioned this was the Army's approved method of re-establishing theater property accountability.

### *1<sup>st</sup> Theater Sustainment Command*

Although not required to comment, the Commander, 1<sup>st</sup> Theater Sustainment Command provided comments on the finding. Specifically, the Commander, 1<sup>st</sup> TSC agreed that the 1<sup>st</sup> TSC lacked administrative authority over the 401<sup>st</sup> AFSB and the 401<sup>st</sup> AFSB did not consistently apply depreciation when calculating total inventory losses and made mathematical errors. However, the Commander, 1<sup>st</sup> TSC disagreed that the 401<sup>st</sup> AFSB officials did not consider the inventory as lost. The Commander, 1<sup>st</sup> TSC stated that AR 735-5 provides clear guidance with regard to the discovery of the loss, damage, or destruction of Government property. Specifically, the PHRH or accountable officer must search for the missing property, not the investigating officer. If the property is not found, the unit must initiate the loss investigation and notify the approving authority within 15 days of the date the property was identified as lost.

The Commander, 1<sup>st</sup> TSC also provided a list of challenges with property loss investigations in Afghanistan, such as surge equipment issued directly to units without system documentation and many contractors and DoD property managers were not adequately trained. The Commander, 1<sup>st</sup> TSC mentioned several corrective actions underway to address these issues, including the 401<sup>st</sup> AFSB instituting more structured training for FLIPL investigating officers and ASC providing the 401<sup>st</sup> AFSB with additional, experienced personnel. For more details on the entire list of correction actions taken, see page 37, paragraph 2d.

### *Our Response*

We commend the 1<sup>st</sup> TSC for implementing correction actions to immediately improve property loss investigations; while also continuing to develop future initiatives to address end of mission property accountability requirements.

The Commander, 1<sup>st</sup> TSC disagreed with our conclusion that 401<sup>st</sup> AFSB officials did not consider inventory as lost, which led to property loss reporting delays, by stating that AR 735-5 provided clear guidance on when to report the loss, damage, or destruction of Government property. However, according to a former 401<sup>st</sup> AFSB Commander and Deputy to the Commander, this was, in fact, one of the primary causes of PHRH's not initiating property loss investigations within the 15 day requirement of AR 735-5. Specifically, the former Deputy to the Commander stated that PHRHs spent too much time trying to locate missing equipment (beyond the 15 day requirement) because they did not consider the equipment lost instead of initiating a FLIPL. For example, for three of the 10 FLIPLs we reviewed, it took, on average, 85 days for the PHRH to initiate a FLIPL. Therefore, we did not revise the report.

With respect to re-establishing property accountability, we do not agree the 401<sup>st</sup> AFSB and 1<sup>st</sup> TSC should only rely upon the Army's accountability systems. The Commander, 401<sup>st</sup> AFSB stated TF Jesup's method of pulling data from PBUSE provides 100 percent property accountability; however, audit report DODIG-2014-043 identified significant inconsistencies with the Army's accountability systems (PBUSE and AWRDS); specifically, in April 2013, based on book-to-floor testing, the audit team was unable to locate approximately 37 percent of the retail and wholesale equipment listed in PBUSE and AWRDS as present at either the Bagram or Kandahar RPATs.

## Recommendation, Management Comments, and Our Response

### **Recommendation 1**

**We recommend the Commander, 401<sup>st</sup> Army Field Support Brigade, update the internal Financial Liability Investigation of Property Loss standard operating procedure to clarify the proper methods for locating and reestablishing accountability of property to include physically locating any missing equipment before re-establishing accountability.**

#### *401<sup>st</sup> Army Field Support Brigade Comments*

The Commander, 401<sup>st</sup> AFSB neither agreed or disagreed with our recommendation, stating this recommendation was beyond what he could resource because it would result in excessive costs to the Army in temporary duty expenses transporting investigating officers to CONUS or increased risk for investigators traveling throughout Afghanistan. He stated that TF Jesup's current practice utilizes the Army's approved methods of re-establishing property accountability.

#### *Our Response*

The Commander, 401<sup>st</sup> AFSB's comments did not fully address the specifics of the recommendation. We agree that TF Jesup's current practice is improving the property book reconciliation process. However, the 1<sup>st</sup> TSC created TF Jesup to attain accountability and visibility of property previously unaccounted for through the FLIPL recovery/property book reconciliation process. Yet, the 401<sup>st</sup> AFSB continues to operate the RPAT yards in Afghanistan on a day-to-day basis; therefore, the 401<sup>st</sup> AFSB's internal FLIPL standard operating procedure should be updated to improve accountability processes in future contingencies. Therefore, we request the Commander, 401<sup>st</sup> AFSB provide additional comments indicating agreement or disagreement with the recommendation and planned actions to update the internal FLIPL standard operating procedure by December 1, 2014.



## Appendix A

### Scope and Methodology

We conducted this performance audit from October 2013 through August 2014, 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 applicable DoD and Army criteria to understand policies and procedures for properly reporting the loss of Government property. Specifically, we reviewed the DoD Financial Management Regulation, DoD Instructions, applicable Army regulations, and internal standard operating procedures for the 401<sup>st</sup> AFSB and 1<sup>st</sup> TSC. We coordinated with or interviewed officials from Army Materiel Command, ASC, 1<sup>st</sup> TSC, and 401<sup>st</sup> AFSB.

We conducted site visits to the Bagram and Kandahar RPAT storage areas and observed the 401<sup>st</sup> AFSB's procedures for accepting equipment turned-in by deploying units. In addition, we observed the 401<sup>st</sup> AFSB's procedures for securing sensitive equipment to ensure the items were safeguarded in accordance with applicable Army regulations. We obtained the 401<sup>st</sup> AFSB's hand receipts for the previous 13 months to determine the total number and dollar value of the property for which each PHRH was responsible. We obtained and reviewed PHRHs' resume to determine their skill sets and level of competency at the 401<sup>st</sup> AFSB. We also obtained several individual 401<sup>st</sup> AFSB hand receipts to identify the types of equipment staged at the RPATs.

We obtained and analyzed the 401<sup>st</sup> AFSB FLIPL Tracker to determine the 401<sup>st</sup> AFSB's open, closed, and canceled FLIPLs. We nonstatistically selected 10 FLIPLs with largest dollar value of actual loss from the universe of 49 closed FLIPLs for FY 2013. We selected closed FLIPLs because the investigation and secondary reviews had been completed and approved by the approving official. The total dollar value of each FLIPL in our sample was in excess of \$100,000. We reviewed the FLIPL package, including the DD Form 200, to determine whether the 401<sup>st</sup> AFSB documented and processed each FLIPL in accordance with applicable DoD and Army regulatory guidance. We obtained and reviewed documentation from the 1<sup>st</sup> TSC's TF Jesup to determine the amount of recovered equipment.

## Use of Computer-Processed Data

We used computer-processed data for our audit. We used the 401<sup>st</sup> AFSB's FLIPL Tracker, an excel spreadsheet that summarized pertinent information for each open, closed, and cancelled FLIPL, including date of loss, date initiated, date closed, initial and final total loss. To verify the reliability of the data within the FLIPL Tracker, we used the source documentation for the spreadsheet, including the DD Form 200. We compared the FLIPL Tracker data to the DD Form 200 containing the date of loss, date initiated, date FLO appointed, and total dollar loss. Based upon this comparison, we determined the FLIPL Tracker data to be unreliable. Therefore, we relied upon the hard copy FLIPL documentation for specific dates, when available, to develop our conclusions. In some instances, we used the FLIPL Tracker for determining dates whenever those dates were not provided on the DD Form 200, which was the only documentation available in Afghanistan. To address the inconsistencies with the FLIPL data, we informed the 401<sup>st</sup> AFSB and 1<sup>st</sup> TSC of concerns with data reliability and secondary reviews, and the commands took action to address these problems.

## Use of Technical Assistance

We did not use technical assistance in conducting this audit.

## Prior Audit Coverage

During the last 5 years, the Department of Defense Inspector General (DoD IG) issued one report addressing the process for reporting property losses at the Redistribution Property Assistance Teams in Afghanistan. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/pubs/index.cfm>.

### ***DoD IG***

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

## Appendix B

### Concerns With Safeguarding Sensitive Equipment

During site visits to the Bagram and Kandahar RPATs, we identified weaknesses with the security and handling of CIIs that, if left unresolved, could result in the compromise of sensitive information.

#### ***Double Barrier Protection Will Ensure CIIs Are Properly Protected at Bagram and Kandahar RPAT Yards***

The 401<sup>st</sup> AFSB did not protect CIIs with double barrier protection. AR 190-51, “Security of Unclassified Army Property (Sensitive and Nonsensitive),” September 30, 1993, states that portable communications and electronics equipment and other high-value precision equipment should, at a minimum, be provided double barrier protection when not in use. Examples of double barrier protection include the following:

- a locked steel cage within a secure storage structure,
- a locked, built-in container or a free-standing locked container within a secure storage structure,
- a securely affixed item to an internal structure of a secure storage structure, or
- a securely affixed item to a locked vehicle that is under continuous surveillance or in a motor pool.

#### ***Bagram RPAT***

While touring the Bagram RPAT facilities on December 29, 2013, the audit team observed the security and handling of retail and wholesale equipment. Both retail and wholesale operations occur within the same locked warehouse. Retail personnel stored sensitive equipment, such as portable communications and electronics equipment and high-value precision equipment, in locked connex boxes; however, when this equipment is transferred to wholesale personnel for retrograde, the equipment is not secured in accordance with AR 190-51 standards. Specifically, the audit team identified sensitive equipment, such as night vision devices, radio receiver-transmitters, and MRAP counter-measure sets, stored on the floor within the warehouse. According to wholesale personnel, the equipment will not leave the warehouse for at least 72 hours.

The audit team determined the radio receiver-transmitters, valued at \$8,269 each, were CII. Specifically, the items were classified as Controlled Inventory Item Code "9," which are Controlled Cryptographic Items (CCI). CCIs are secure telecommunications or information handling equipment, associated cryptographic component, or other hardware items, which performs critical communication-security functions. According to AR 735-5, items with classified items codes, including CCI equipment, require protection in the interest of national security.

### *Kandahar RPAT*

While touring the Kandahar RPAT facilities on January 14, 2014, the audit team observed the security and handling of wholesale sensitive equipment. Wholesale operations, including the storage of sensitive equipment, occur within an unlocked warehouse. Within this warehouse, a large, fenced area is dedicated to the storage of packaged equipment awaiting transport. Inside this fenced area is a smaller subsection (cage) devoted to the storage of sensitive equipment, such as portable communications and electronics equipment and high-value precision equipment. The sensitive equipment cage is fenced and cypher locked; however, the fenced area that encompasses the sensitive equipment cage is not locked and the front gate was frequently left open.

Further, we saw a large amount of sensitive equipment not secured in accordance with the standards of AR 190-51. Specifically, the audit team identified sensitive equipment, such as MRAP counter-measure sets and Common Remotely Operated Weapons, stored outside of the cypher-locked sensitive equipment cage. According to wholesale personnel, this occurred because the sensitive equipment cage did not offer sufficient storage capacity. Wholesale personnel anticipate an increase in sensitive equipment as forward operating bases continue to close. Without increasing the storage capacity of the sensitive equipment cage, wholesale personnel stated they will continue to store sensitive equipment outside of the cage. In addition, the sensitive equipment cage, while fenced and cypher-locked, presents security risks. Specifically, the fence is approximately 6 feet high and leaves a 10-inch gap between the bottom of the fence and the ground.

## ***Management Actions Taken Improved the Security of Sensitive Items at Bagram and Kandahar RPATs***

### *Bagram RPAT*

On January 8, 2014, we informed the Commander, 401<sup>st</sup> AFSB, that we had concerns that CIIs at the Bagram RPAT yard were not being protected by double barrier protection. On May 9, 2014, we returned to the Bagram RPAT yard and verified that the 401<sup>st</sup> AFSB had double barrier protection for CIIs. Specifically, the

401<sup>st</sup> AFSB separated the retail and wholesale operations into different buildings. The retail and wholesale buildings are locked and have a sufficient number of lockable connex containers to store CIIs. We determined that the efforts taken by the 401<sup>st</sup> AFSB ensured CIIs and other sensitive equipment were safeguarded in accordance with AR 190-51. Specifically, by securing the CIIs in the locked connex boxes within a secure warehouse, the 401<sup>st</sup> AFSB provided double barrier protection to the items.

### *Kandahar RPAT*

On January 26, 2014, we informed the Commander, 401<sup>st</sup> AFSB, that we had concerns that CIIs at the Kandahar RPAT yard were not being protected by double barrier protection. On March 7, 2014, we returned to the Kandahar RPAT yard and verified that the corrective actions implemented by the 401<sup>st</sup> AFSB. Specifically, the 401<sup>st</sup> AFSB added a cypher-lock to the main warehouse fence and increased the storage capacity of the Wholesale Warehouse's sensitive equipment cage in order to store CII in accordance with double barrier protection requirements. In addition, the warehouse is monitored by a closed caption television and a contract guard force. We determined that the efforts taken by the 401<sup>st</sup> AFSB ensured that CIIs and other sensitive equipment were safeguarded in accordance with AR 190-51. Specifically, by implementing additional security upgrades, increasing the storage capacity of the Wholesale Warehouse sensitive equipment cage, and storing the CIIs within a secure warehouse, the 401<sup>st</sup> AFSB provided double barrier protection to the items.

## Management Comments

### 401<sup>st</sup> Army Field Support Brigade



DEPARTMENT OF THE ARMY  
401ST ARMY FIELD SUPPORT BRIGADE  
BAGRAM AIR FIELD, AFGHANISTAN  
APO AE 09354

ASSW-CO

22 August 2014

MEMORANDUM FOR Auditor General, Department of the Army, ATTN: Mr. Michael J. Roark, Deputy Assistant Inspector General, Readiness and Cyber Operations

SUBJECT: 401<sup>st</sup> AFSB Consolidated Comments on DoD IG Project D2014-D000JB-0030.000 Draft Report of August 14, 2014 "The Army Needs to Improve the Processes for Reporting Inventory Losses in Afghanistan"

1. Summary: The 401<sup>st</sup> AFSB staff, including the Theater Provided Equipment, Support Operations, S3, and S4 sections reviewed the proposed report. DoD IG based their concerns on review of FY2013 processes from which the DOD IG asserts the 401<sup>st</sup> AFSB did not effectively report inventory losses in Afghanistan. The DoD IG attributes the ineffectiveness of reporting to four factors:

- a. 401<sup>st</sup> AFSB officials did not consider the equipment as lost
- b. 1<sup>st</sup> TSC lacked the administrative authority over the 401<sup>st</sup> AFSB
- c. 401<sup>st</sup> AFSB did not consistently apply depreciation when calculating total inventory losses and made mathematical errors
- d. 401<sup>st</sup> AFSB and the 1<sup>st</sup> TSC officials reestablished accountability of missing equipment based upon the Army's accountability systems instead of physically locating it

2. Corrective actions: As stated throughout the report by the DOD IG, the current 1<sup>st</sup> TSC (FWD) and Brigade S4 corrected processes and procedures for a, b, and c above in FY2014 as described in the sections titled "Management Actions Taken..." An explanation of those actions follows:

- a. 401<sup>st</sup> AFSB officials did not consider the equipment as lost

(1) *401<sup>st</sup> AFSB officials did not consider the equipment as lost and therefore did not report inventory losses in a timely manner:* **Response:** Most cases reviewed in 2013 illustrated attempts by 401<sup>st</sup> AFSB officials to find property and delay the initiation of FLIPLs. As stated in the report, the officials did not know at the time the focus on equipping the warfighter and the affect that focus had on property accountability.



## 401<sup>st</sup> Army Field Support Brigade (cont'd)

ASSW-CO

SUBJECT: 401<sup>st</sup> AFSB Consolidated Comments on DoD IG Project D2014-D000JB-0030.000 Draft Report of August 14, 2014 "The Army Needs to Improve the Processes for Reporting Inventory Losses in Afghanistan"

(2) *401<sup>st</sup> AFSB initiated FLIPLS late and had delays in appointing financial liability officers.* **Response:** Combined with 2.a. (1) above, the brigade officials did not quickly appoint investigating officers. This stemmed from a lack of command emphasis on rapidly closing out FLIPLS. The 401<sup>st</sup> AFSB created a group of investigating officers, five lieutenant colonels, who were trained to rapidly conduct investigations within the 30 day time standard.

(3) *Prolonged investigations contributed to missing required timeframes.* **Response:** As stated in 2.a. (1) above, the 401<sup>st</sup> officials allowed the unit personnel to conduct causative research for extended time periods. Therefore, when the initiating organization opened the FLIPL with the TPE team, the majority of the FY13 FLIPLs exceeded the Army standard of completion in 75 days.

(4) *Approving Authority responsibility changed from ASC to 1<sup>st</sup> TSC:* **Response:** TSC

(5) *Depreciation was not consistently applied.* **Response:** In FY13, investigating officers did not receive training, nor did they follow AR 15-6 and AR 735-5 guidelines for depreciation of lost government property when finalizing findings and recommendations. The 401<sup>st</sup> officials now include training focused on deprecation and added a reporting requirement for the investigating officers during FLIPL out-briefs to the Brigade S4

(6) *Mathematical errors were made in calculating inventory losses.* **Response:** Upon completion of the FLIPL, the investigating officer did not route the FLIPL through the Brigade S4 staff. In FY13 there were no administrative checks prior to arriving at the brigade commander's desk for appointing authority signature. The 401<sup>st</sup> officials now have a process in place of routing FLIPLS through an administrative assistant who verifies all lines of equipment, accounted for or lost, are captured correctly.

(7) *Secondary reviews did not detect FLIPL errors and omissions.* **Response:** TSC

3. Remaining issues: The DoD IG report recommends the 401<sup>st</sup> AFSB officials update their internal FLIPL SOP to clarify the proper methods to locate and re-establish property accountably to include physically locating any missing equipment before re-establishing accountability.

a. This recommendation is beyond what the brigade commander can resource. The majority of the equipment found through causative research is

## 401<sup>st</sup> Army Field Support Brigade (cont'd)

ASSW-CO

SUBJECT: 401<sup>st</sup> AFSB Consolidated Comments on DoD IG Project D2014-D000JB-0030.000 Draft Report of August 14, 2014 "The Army Needs to Improve the Processes for Reporting Inventory Losses in Afghanistan"

located in forward operating bases across the CJOA-A as well as at depots and arsenals at CONUS locations in the U.S. Without excessive costs to the Army in TDY expenses transporting investigating officers to CONUS or at increased risk in the CJOA-A, Army units cannot support this recommendation.

b. The Army recognizes the property accountability STAMIS as the approved method to regain accountability. Task Force Jesup, the property accountability team mentioned in the report, used the Army's approved methods of reestablishing theater property accountability. This included worldwide PBUSE and AWRDS visibility as well as contacting depots, arsenals, and other repair activities at CONUS locations. This task force is still being used by the 1<sup>st</sup> TSC and is recognized by ASC, AMC, and Army G4 as an official method to regain accountability.

### Part 2: TF Jesup Comment and FLIPL Recovery Samples

1. Summary: As stated by a previous Bde Commander (2012), [REDACTED] "The 401<sup>st</sup> AFSB FLIPL program really began in April 2011; prior to that time, FLIPLs were not being managed correctly." Several key factors led to the FLIPL program not being managed correctly that included: lack of supervisor, lack of skill-set and experience and in some cases a total disregard for processing of FLIPLs. This was indeed the Property Management picture from 2011 to the 2013 timeframe.

To better understand the circumstances of 2013 (although not perfect, but with much improvement), one must review the years 2011 to early 2012. During that time the CJOA-A encountered several challenges in managing property due to the urgency the magnitude of equipment to priority combat missions coupled with the expansion of the logistics footprint.

In order to reestablish property accountability, 401<sup>st</sup> AFSB had to go back to the basic concepts of property accountability. The Property Accountable Processes and property management structure were revamped to improve property accountability. Unfortunately, the results of these changes would not be able to be realized until the 2013-2014 timeframe.

The key Property Accountability Management changes:

a. **Property Management SOPs:** Developed a TPE Internal SOP, External SOP and RPAT Soldier's Guide. These documents allowed for the standardization of processes and procedures within the 401<sup>st</sup>.

## 401<sup>st</sup> Army Field Support Brigade (cont'd)

ASSW-CO

SUBJECT: 401<sup>st</sup> AFSB Consolidated Comments on DoD IG Project D2014-D000JB-0030.000 Draft Report of August 14, 2014 "The Army Needs to Improve the Processes for Reporting Inventory Losses in Afghanistan"

- b. **Command Emphasis / Quality Assurance:** The Bde Commander established the BDE FLIPL Policy on 15 Nov 2012 outlining the reporting and property accountability procedures.
- c. **PHRH Training:** The 401<sup>st</sup> conducted weekly training with PHRH to include the BDE S4 and TPE personnel. Additionally, AMC deployed a CW5 Property manager to Afghanistan to conduct the PHRH training.
- d. **Emphasis on CSDP:** 401<sup>st</sup> established the CSDP program for the BDE with the S4 responsible for administering the program for the Command. This included training, assessment visit and memorandums of instructions to the PHRH.
- e. **Campaign on Property Accountability:** IAW the TSC FRAGO, 401<sup>st</sup> focus on reduction of UICs and retail property movement to wholesale.
- f. **Centralized Approach Manage FLIPLS:** Established FLIPL process where BDE S4 consolidated and provided the QA for FLIPLS.
- g. **ASC/AMC Oversight and Assistance Visits:** ASC/AMC deployed personnel to Afghanistan to provide guidance and oversight to bring the 401<sup>st</sup> FLIPL management back IAW regulatory guidelines.
- h. **Reduction Property under PHRH control:** At the peak of 2012, the Retail Centralized Property book (CPL) documented property valued in Afghanistan at nearly 18 billion spanning over 1400 hand receipts. Hand Receipt Holders within the RPAT were responsible for receipt, inventory and accountable of equipment. This task included tracking equipment moving throughout the retrograde process, tracking equipment moving from RPAT to RPAT for issues at various locations within the CJOA-A, and tracking equipment moving through the maintenance cycle, etc. The Primary Hand Receipt Holders were overwhelmed with the task given for property management. As you can see in the next segment of actions taken to reduce FLIPLS, actions were taken to either improve the property management or resolve the issue. ACTION TAKEN: Established additional UICs and HRH to spread out the amount of equipment responsible to one HRH. Average pcs per HRH in 2012 vs 7,000-8,000 pcs and now it less than 250 pcs (7,442 pcs divided by 30 HRHs= 248 pcs average).

## 401<sup>st</sup> Army Field Support Brigade (cont'd)

ASSW-CO

SUBJECT: 401<sup>st</sup> AFSB Consolidated Comments on DoD IG Project D2014-D000JB-0030.000 Draft Report of August 14, 2014 "The Army Needs to Improve the Processes for Reporting Inventory Losses in Afghanistan"

	Total HR	Total Pieces	Highest Qty on a Single HR
Nov-12	41	47,800	10,550
Jan-13	45	48,081	7,804
Dec-13	42	26,153	3,978
Jan-14	34	8,532	1,898
Aug-14	26	3,800	1,163

i. **Established Property Reconciliation Team (TF Jesup).** See paragraph 2 below.

2. **Findings:** 401<sup>st</sup> AFSB and 1st TSC Officials Relied upon the Army's Accountability Systems to Locate Missing Equipment. Non-concur with the IG assessment that states,... *"Therefore, the 401<sup>st</sup> AFSB and 1<sup>st</sup> TSC cannot assume that a piece of previously missing equipment located in the Army's accountability systems by TF Jesup is actually recovered and can be deleted from the FLIPL."* **Response:** Non-concur. The TF Jesup team conducts real time causative research using PBUSE, the Army's system of record. Equipment is checked by serial number, LIN, NSN and document number. The equipment is checked in LIW and PBUSE. Additionally is checked in AWRDS and LMP to determine if items were passes on the National Accountable System (Logistics Modernization Program, LMP) system. Below are sample of the print screens from the various methods to recover/define the audit trail of the missing equipment (AWRDS/LMP, World Wide, DLA-DS and Combat Loss).

3. The following are four FLIPL recovery sample screen shots:

Sample One:

W6HQQW533511040 SN: AR-310 (CBA-Combat Loss)

- FLIPL Document W6HQQW533511040 conducted and processed with a CBA code. Combat Loss within a theater of operations has been made by the approval of the approving authority

## 401<sup>st</sup> Army Field Support Brigade (cont'd)

ASSW-CO

SUBJECT: 401<sup>st</sup> AFSB Consolidated Comments on DoD IG Project D2014-D000JB-0030.000 Draft Report of August 14, 2014 "The Army Needs to Improve the Processes for Reporting Inventory Losses in Afghanistan"

FSC	NUM	SERIAL	MODEL	SN SYS	CD													
5895	015647999	AS-310		N														
TRAC	FORM NUM	DIC	TRANS ACT CD	DOC NUM	SFX	REG NUM	TEDB REG NUM	OWNER	SUPAD	RPTR	TRANS DATE	POST DATE	RECON DATE	STAT	DATA SRC	TO/FROM SERIAL NUM	TO REG NUM	UID CD
CBA	0200	ZRG	D	W6HQW53311040				W6HQW5	W91JA3		2014-01-29			H	PBUSE			
	3161	ZRG	D	W6HQA432011135				W6HQA4	W91JA3		2013-07-22			H	PBUSE			
	3161	ZRG	I	W6HQW533011200				W6HQW5	W91JA3		2013-07-22			H	PBUSE			
	3161	ZRG	D	W6HQW531791115				W6HQW5	W91JA3		2013-06-28			H	PBUSE			
	3161	ZRG	I	W6HQA431791122				W6HQA4	W91JA3		2013-06-28			H	PBUSE			
	3161	ZRG	D	W6QD062310022				W6QD06	W91JA3		2012-12-21			H	PBUSE			
	3161	ZRG	I	W6HQW533561019				W6HQW5	W90US0		2012-12-21			H	PBUSE			
	3161	ZRG	D	W6PP2023030005				W6PP20	W90US0		2012-10-29			H	PBUSE			
	3161	ZRG	I	W6QD0623030014				W6QD06	W6PP20		2012-10-29			H	PBUSE			
	3161	ZRG	D	W6NQ1722670007				W6NQ17	W6PP20		2012-09-23			H	PBUSE			
	3161	ZRG	I	W6PP2022670003				W6PP20	W90USN		2012-09-23			H	PBUSE			
	3161	ZRG	D	W6HBT813191014				W6HBT8	W90USN		2011-11-15			H	PBUSE			
	3161	ZRG	I	W6NQ1713190001				W6NQ17	W9190V		2011-11-15			H	PBUSE			
	1348	ZRG	C	W919Y113111390				W6HBT8			2011-11-07			H	PBUSE			
	3161	ZRG	D	W6HBT813191046				W6HBT8	W9190V		2010-06-24			H	PBUSE			
	3161	ZRG	I	W6HBT813191048				W6HBT8	W9190V		2010-06-24			H	PBUSE			
	3161	ZRG	D	W6HBT813191046				W6HBT8	W9190V		2010-05-19			H	PBUSE			
	3161	ZRG	I	W6HBT813191049				W6HBT8	W90USU		2010-05-19			H	PBUSE			
	3161	ZRG	D	W6NQ1700430002				W6NQ17	W90USU		2010-02-19			H	PBUSE			
	3161	ZRG	I	W6HBT813191049				W6HBT8	W90USN		2010-02-19			H	PBUSE			
	3161	ZRG	D	W6NQ1791310005				W6NQ17	W90USN		2009-11-09			H	PBUSE			
	3161	ZRG	I	W6NQ1791310006				W6NQ17	W90USN		2009-11-09			H	PBUSE			
	3161	ZRG	D	W6HBT813191049				W6HBT8	W90USN		2009-02-18			H	PBUSE			
	3161	ZRG	I	W6NQ1790400001				W6NQ17	W812TL		2009-02-18			H	PBUSE			

Sample Two: W6G39812431001 SN: 231552 (LOA-PHYSICAL LOSS)

- FLIPL Document W6H39812431001 conducted with a LOA code, reason of initiation was suspected to be from a physical loss.
- LIW screenshot showing item is currently on WA29T0 books, same item under a different model.

FSC	NUM	SERIAL	MODEL	SN SYS	CD													
5820	015073973	231552		C														
TRAC	FORM NUM	DIC	TRANS ACT CD	DOC NUM	SFX	REG NUM	TEDB REG NUM	OWNER	SUPAD	RPTR	TRANS DATE	POST DATE	RECON DATE	STAT	DATA SRC	TOFROM SERIAL NUM	TO REG NUM	UID CD
LOA	0200	ZRG	D	W6G39812431001				W6G398			2011-08-31			H	PBUSE			
	3161	ZRG	D	W6HNB301041125				W6HNB3	W813JM		2010-04-22			H	PBUSE			
	3161	ZRG	I	W6G39801121003				W6G398	W91JA2		2010-04-22			H	PBUSE			
FOI	2765	ZRG	A	W6HNB301041106				W6HNB3	W6HNB3		2010-04-14			H	PBUSE			

FSC	NUM	SERIAL	MODEL	SN SYS	CD													
5820	015303667	231552	RT-1523F(C)	C														
TRAC	FORM NUM	DIC	TRANS ACT CD	DOC NUM	SFX	REG NUM	TEDB REG NUM	OWNER	SUPAD	RPTR	TRANS DATE	POST DATE	RECON DATE	STAT	DATA SRC	TOFROM SERIAL NUM	TO REG NUM	UID CD
								WA29T0			2014-02-03			C	PBUSE			D31550A3307000-1505231552
	3161	ZRG	D	W6NZ2701610055				W6NZ27	W9196P		2010-06-24			H	PBUSE			
		ZRG	I	WA29T001757309				WA29T0	W90USW		2010-06-24			H	PBUSE			
LPM	3161	ZRG	A	W6NZ2701610059				W6NZ27	W15P61		2010-06-10			H	PBUSE			
R		BDB		W15P7709CJ002				W45G19	W15P77	W45G19	2010-02-16	2010-03-22	2010-03-22	H	UIT			

Sample Three: W6HNS112781158 SN: ECP-C-0035-PTYPEBRO (LOA-PHYSICAL LOSS)

- FLIPL Document W6HNS112781158 conducted with a LOA code, reason of initiation was suspected to be from physical loss.
- LIW screenshot showing item is currently on W6HNS1 books

401<sup>st</sup> Army Field Support Brigade (cont'd)

ASSW-CO  
SUBJECT: 401<sup>st</sup> AFSB Consolidated Comments on DoD IG Project D2014-D000JB-0030.000 Draft Report of August 14, 2014 "The Army Needs to Improve the Processes for Reporting Inventory Losses in Afghanistan"

FSC	MIN	SERIAL NUM	MODEL	SN SYS CD														
5340	01K000789	ECP-C-003-PTYPEBRO		N														
TRAC	FORM NUM	DIC	TRANS ACT CD	DOC NUM	SFX	REG NUM	TEDB REG NUM	OWNER	SUPAD	RPTR	TRANS DATE	POST DATE	RECON DATE	STAT	DATA SRC	TO/FROM SERIAL NUM	TO REG NUM	UID CD
LOA	3161	ZRG	D	W6HNS142031090				W6HNS1			2014-07-22			C	PBUSE			
	3161	ZRG	I	W6JX1742031052				W6JX17	W9051T		2014-07-22			H	PBUSE			
	3161	ZRG	D	W6HNS142031090				W6HNS1	W90NB7		2014-07-22			H	PBUSE			
	3161	ZRG	D	W6G44741021014				W6G447	W90NB7		2014-04-12			H	PBUSE			
	3161	ZRG	I	W6JX1741021098				W6JX17	W9051T		2014-04-12			H	PBUSE			
	0200	ZRG	D	W6HNS112781158				W6HNS1	W6GAA5		2011-10-05			H	PBUSE			
LPR	3161	ZRG	D	W6NQ8811870015				W6NQ88	W91JA2		2011-07-19			H	PBUSE			
	3161	ZRG	I	W6HNS112001013				W6HNS1	W90USN		2011-07-19			H	PBUSE			
	0250	ZRG	A	W6NQ8811040015				W6NQ88	W91SQKN		2011-04-14			H	PBUSE			

Sample Four:

W6JX1513521002 SN: 07114 (LOP-LOSS NOT SUSPECTED)

- FLIPL Document W6JX1513521001 conducted with a LOP code, property loss was submitted to record items that are no longer physically present and are not considered initially lost.
- LIW Screenshot showing the loss of the item with the same item under a different model currently on WAM1C0 books.

FSC	MIN	SERIAL	MODEL	SN SYS	CD													
5320	0140160105	07114	AN PRC148V28	C														
TRAC	FORM NUM	DOC	TRANS ACT CD	DOC NUM	SFX	REG NUM	TEDB REG NUM	OWNER	SUPAD	RPTR	TRANS DATE	POST DATE	RECON DATE	STAT	DATA SRC	TOFROM SERIAL NUM	TOFROM REG NUM	UID CD
LOP	4949	ZRG	C	W6JX1517323091				W6JX15			2011-12-18			H	PBUSE			
	0200	ZRG	D	W6JX151312002				W6JX15	W9051T		2011-12-18			H	PBUSE			
	3161	ZRG	D	W6JX151040106				W6JX15	W9051T		2009-12-30			H	PBUSE			
	3161	ZRG	I	W6JX151041016				W6JX15	W9051T		2009-12-30			H	PBUSE			
	3161	ZRG	D	W6JX151041042				W6JX15	W9051T		2009-01-19			H	PBUSE			
	3161	ZRG	I	W6JX151041045				W6JX15	W9051T		2009-01-19			H	PBUSE			
	3161	ZRG	D	W6JX151041021				W6JX15	W9051T		2007-12-10			H	PBUSE			
	3161	ZRG	I	W6JX151041023				W6JX15	W9051T		2007-12-10			H	PBUSE			
	4949	ZRG	C	2999847316117				W6JX15			2007-12-02			H	PBUSE			
	3161	ZRG	D	W6JX1506311002				W6JX15	W9051T		2006-08-22			H	PBUSE			
	3161	ZRG	I	W6JX1506311010				W6JX15	W9051T		2006-08-22			H	PBUSE			
	3161	ZRG	C	W6JX1506311001				W6JX15			2006-08-19			H	PBUSE			
	3161	ZRG	D	W6JX1506101052				W6JX15	W9051T		2006-07-19			H	PBUSE			
	3161	ZRG	I	W6JX1506101008				W6JX15	W9051T		2006-07-19			H	PBUSE			
	3161	ZRG	D	W6JX1510001010				W6JX15	W9051T		2006-03-31			H	PBUSE			
	3161	ZRG	I	W6JX1510001011				W6JX15	W9051T		2006-03-31			H	PBUSE			
	3161	ZRG	D	W6JX1510001010				W6JX15	W9051T		2006-02-20			H	PBUSE			
	3161	ZRG	I	W6JX1510001011				W6JX15	W9051T		2006-02-20			H	PBUSE			
7450	ZRG	A	W6JX1510041CQ205				W6JX15A	W9191T		2006-02-13			H	PBUSE				
7450	ZRG	D	W6JX1510041CQ246				W6JX15S			2006-02-13			H	PBUSE				
4949	ZRG	I	W6JX1510041CQ100				W6JX15S			2006-02-13			H	PBUSE				

FSC	MIN	SERIAL	MODEL	SN SYS	CD													
5320	014035543	07114	PRC148	N														
TRAC	FORM NUM	DOC	TRANS ACT CD	DOC NUM	SFX	REG NUM	TEDB REG NUM	OWNER	SUPAD	RPTR	TRANS DATE	POST DATE	RECON DATE	STAT	DATA SRC	TOFROM SERIAL NUM	TOFROM REG NUM	UID CD
FOI	3161	ZRG	D	WAM1C0D0901107		WAM1C0		WAM1C0	W9051T		2014-04-03			H	PBUSE			
	3161	ZRG	I	WAM1C0D0901107		WAM1C0		WAM1C0	W9051T		2014-04-03			H	PBUSE			
	3161	ZRG	D	WAM1C0D1771248		WAM1C0		WAM1C0	W9051T		2014-06-26			H	PBUSE			
	3161	ZRG	I	WAM1C0D1771247		WAM1C0		WAM1C0	W9051T		2014-06-26			H	PBUSE			
	2765	ZRG	A	WAM1C0D1771490		WAM1C0		WAM1C0	W9051T		2013-05-16			H	PBUSE			
4049	ZRG	D	W91L50440002		W91R55						2006-02-13			H	PBUSE			

4. As stated by [REDACTED], 1<sup>st</sup> TSC TF Jesup reconciliation process provides key benefits by providing the audit and recovery of property.



## 401<sup>st</sup> Army Field Support Brigade (cont'd)

ASSW-CO

SUBJECT: 401<sup>st</sup> AFSB Consolidated Comments on DoD IG Project D2014-D000JB-0030.000 Draft Report of August 14, 2014 "The Army Needs to Improve the Processes for Reporting Inventory Losses in Afghanistan"

TF Jesup Key Benefits:

- a. TF Jesup delivers real-time and accurate data that is pulled from PBUSE, the Army's system of record
- b. Data can be validated
- c. Enables process metrics and reports to provide leaders and managers with critical information that is efficient and effective in regards to planning and process management.
- d. Enables 100 percent property accountability and total asset visibility
- e. Insures proper stewardship of USG Resources.
- f. Enhances readiness and establishes a clear picture of what capabilities are in Afghanistan
- g. Creates a culture of continuous improvement that provides greater capability to our war fighting force. Recovered equipment can be redistributed to units in the Army who need it to accomplish their mission
- h. Most importantly, TF Jesup will revolutionize a successful drawdown of equipment in Afghanistan

5. POCs for this input are

[REDACTED]

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HEW.JOHN.111265  
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MATTHEW J. FERGUSON  
COL, LG  
Commanding

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Date: 2014.08.26 15:33:26 +0430'

## 1<sup>st</sup> Sustainment Command (Theater)



REPLY TO  
ATTENTION OF:

**DEPARTMENT OF THE ARMY  
1ST SUSTAINMENT COMMAND (THEATER)  
FORT BRAGG, NORTH CAROLINA 28310-5000**

ACTS-CG

12 September 2014

MEMORANDUM FOR Department of Defense Inspector General (DoDIG), ATTN: Readiness and Cyber Operations Division (Mr. Michael J. Roark, Deputy Assistant Inspector General), 4800 Mark Center Drive, Alexandria, VA 22350-1500

SUBJECT: Command Comments on DoDIG Project D2014-D000JB-0030.000 Draft Report of August 2014, "The Army Needs To Improve the Processes for Reporting Inventory Losses in Afghanistan"

1. The 1<sup>st</sup> TSC has reviewed the subject draft report and 401<sup>st</sup> Army Field Support Brigade (AFSB) response. The command endorses the 401<sup>st</sup> AFSB comments. The command non-concurs with items "a" and "d" and concurs with items "b" and "c", listed below. Additionally, the command will outline its view on the findings and present what are believed to be the underlying systemic issues along with corrective actions being taken.

- a. 401<sup>st</sup> AFSB officials did not consider the inventory lost
- b. 1<sup>st</sup> TSC lacked administrative authority over the 401<sup>st</sup> AFSB
- c. 401<sup>st</sup> AFSB did not consistently apply depreciation when calculating total inventory losses and made mathematical errors
- d. 401<sup>st</sup> AFSB and 1<sup>st</sup> TSC officials re-established accountability of missing equipment based upon the Army's accountability systems instead of physically locating it

2. Executive Summary.

a. There were many challenges to establishing and maintaining accountability of Theater Provided Equipment (TPE) in Afghanistan. However, we have addressed many of those systemic issues over the past year, and have reconciled over 60 percent of the identified TPE losses. We will continue to aggressively pursue the reconciliation of the remaining 40 percent as we assist in drawing down Afghanistan Theater.

b. The challenges included poor asset visibility, insufficient centralized distribution, massive configurations of Army Prepositioned Stocks (APS) and TPE, and inadequate oversight of inexperienced DoD contractors hired to provide logistics support. As a result, unaccounted property investigations suffered.

## 1<sup>st</sup> Sustainment Command (Theater) (cont'd)

ACTS-CG

SUBJECT: Command Comments on DoD IG Project D2014-D000JB-0030.000 Draft Report of August 2014, "The Army Needs To Improve the Processes for Reporting Inventory Losses in Afghanistan"

c. There are several primary issues contributing to the challenges with property loss investigations in Afghanistan. First, all TPE in Afghanistan has not been brought to record. Equipment from various sources flowed into theater without being captured in Standard Army Management Information Systems (STAMIS). Secondly, surge equipment was often issued directly to units without system documentation. New fielding of equipment from contractors and program managers went directly to units and hindered property visibility. Third, force rotation timelines are frequently not conducive to regulatory change of hand receipt holder requirements. The relief in place and transfer of authority between units did not allot for adequate property inventories. Fourth, many contractors and DoD property managers were not adequately trained. Finally, a material enterprise gap prevented centralized management of theater property equipment. The absence of a consolidated yard to receive and ship TPE complete necessary property oversight. These variables over a decade of time generated significant difficulties with property investigations.

d. Several corrective actions are already underway within 1<sup>st</sup> TSC, Army Sustainment Command (ASC) and 401<sup>st</sup> AFSB to address the issues identified in the findings. ICW AMC/ASC and HQDA G4The 1<sup>st</sup> TSC established Task Force Jesup, which is a property reconciliation task force designed to conduct causative research on TPE FLIPLs and re-establish accountability. The 401<sup>st</sup> AFSB instituted more structured training for FLIPL investigating officers and trains administrative assistants on FLIPL routing. Lastly, ASC provided 401<sup>st</sup> AFSB with additional experienced personnel to assist in TPE management. Future initiatives will include collaboration with Army Central and US Forces Afghanistan to develop theater wide FLIPL visibility to assist with processing and reporting statuses. Also, future efforts will refine end of mission requirements for all units to examine the accountability of TPE well before redeployments.

### 3. Response to Report Findings.

a. 1<sup>st</sup> TSC non-concurs with item "a" of the DoDIG findings, "401<sup>st</sup> AFSB officials did not consider the inventory lost." paragraph 13-3 of Army Regulation (AR) 735-5, clearly articulates the FLIPL process with regard to the discovery of the loss, damage or destruction of Government property. The primary hand receipt holder or accountable officer must search for the missing property, not the investigating officer. If the property is not found, the unit must initiate the loss investigation and notify the approving authority within 15 days of the date the property was identified as lost.

*"Initiate and process a financial liability investigation of property loss to account for lost, damaged, or destroyed Government property when one or more of the situations listed existed: (1) Negligence or willful misconduct is suspected as the cause, and the individual does not admit liability and refuses to make voluntary reimbursement to the Government for the full value of the loss less depreciation... (17) Losses due to combat where equipment is determined captured, abandoned or a physical loss (no residue)." AR 735-5, 13-3*

## 1<sup>st</sup> Sustainment Command (Theater) (cont'd)

ACTS-CG

SUBJECT: Command Comments on DoD IG Project D2014-D000JB-0030.000 Draft Report of August 2014, "The Army Needs To Improve the Processes for Reporting Inventory Losses in Afghanistan"

b. 1<sup>st</sup> TSC concurs with item "b", "1<sup>st</sup> TSC lacked administrative authority over the 401<sup>st</sup> AFSB," though this was fixed in July 2013.

(1) In July 2013, 401<sup>st</sup> AFSB became directly aligned to 1<sup>st</sup> TSC. Prior to July, the approving authority for FLIPLs in excess of \$100K and controlled inventory Items (CII) resided under the authority of rotating Expeditionary Sustainment Commands (ESCs). On 12 September 2013, the 1<sup>st</sup> TSC Deputy Commanding General conducted an assessment of FLIPL trends within 401<sup>st</sup> AFSB and advised the Army Sustainment Command (ASC) that 1<sup>st</sup> TSC would assist with strengthening supply discipline for TPE in theater.

(2) Subsequently greater leader emphasis was placed on property accountability and FLIPL management. Through command coordination, the ASC provided additional personnel to the 401<sup>st</sup> AFSB to assist TPE activities and causative research efforts for FLIPLs. Additionally, the command created focus groups and efforts to reconcile unaccounted property. In March 2014, Task Force Jesup was established in conjunction with 401<sup>st</sup> AFSB, ASC and HQDA G4. To date, property valued over \$1Billion has been recovered and accountability for over \$260K items were restored in systems of record.

c. 1<sup>st</sup> TSC concurs with item "c", "401<sup>st</sup> AFSB did not consistently apply depreciation when calculating total inventory losses and made mathematical errors." Investigating officers did not follow regulatory guidance set forth in Appendix B-2 of AR 735-5, regarding depreciating the value at the time of the loss or destruction for items. The 401<sup>st</sup> AFSB has since trained their staff on the proper methods to calculate depreciation.

*"Depreciated value. When determination of fair market value is not possible or equitable, the value at the time of the loss or destruction may be computed by subtracting depreciation from the current FEDLOG or other standard price or a new items. Depreciation is not deducted on loss or damage to new property. Compute depreciated value for all property not listed in Appendix B-2 at 5 percent per year of service, up to 75 percent. If the time in service cannot be determined, depreciate a standard 25 percent." AR 735-5 Appendix B-2*

d. 1<sup>st</sup> TSC non-concurs with item "d", "401<sup>st</sup> AFSB and the 1<sup>st</sup> TSC officials re-establish accountability of missing equipment based upon the Army's accountability systems instead of physically locating it."

(1) The DoDIG report based its findings off ten FLIPLs in FY 13. In Afghanistan, at its peak in 2012, the centralized property listing (CPL) documented property values at nearly \$18 billion and the theater property book officer maintained over 1400 hand receipts. The 401<sup>st</sup> AFSB deployed to theater to assist in the management of this massive amount of property as a forward presence of the Army Material Command in order to facilitate material enterprise requirements. Unfortunately, the property management requirements far exceeded the AFSB's capabilities and required extensive

## 1<sup>st</sup> Sustainment Command (Theater) (cont'd)

ACTS-CG

SUBJECT: Command Comments on DoD IG Project D2014-D000JB-0030.000 Draft Report of August 2014, "The Army Needs To Improve the Processes for Reporting Inventory Losses in Afghanistan"

outsourcing. Despite the additional manning, property managers continued to labor to bring equipment to record in property management systems.

(2) The experienced personnel within Task Force Jesup conducts causative research for retail and wholesale property through several property record databases: Property Book Unit Supply Enhanced (PBUSE), Logistics Modernization Program (LMP), Defense Logistics Agency-Disposition Services (DLA-DS), Special Operation Forces, World Wide (WW), Foreign Military Sales, and Army Wartime Reserve Deployment Stocks (AWRDS).

(3) Task Force Jesup's business rules include a series of technical steps performed by DoD civilians and contractors with military oversight. Equipment is checked by serial number, line item number (LIN), national stock number (NSN) and document number when relevant. After the equipment has been found in a database, its physical location is verified through unit contact.

(4) The Task force continues to collaborate with strategic agencies to research FLIPLs and locate unaccounted property. These efforts were successful in recovering and determining final disposition of pieces of equipment processed for FLIPLs as far back as 2006.

4. Afghanistan Property Accountability Systemic Issues. There are many variables impacting property accountability and loss investigations in Afghanistan. However, at the root and of the challenges are several systemic issues to confront and correct.

a. Unaccounted TPE. The Army published the Limited Wartime Accountability Policy in May 03, absolving commanders of property management procedures during combat operations in Operation Iraqi Freedom and Operation Enduring Freedom. Equipment visibility lapsed and resulted in a significant amount of unaccounted property. Given the pace of operations in theater and the lack of a requirement to establish an audit trail under wartime conditions, much of the TPE was not loaded into property databases. This includes equipment retrograded from Iraq to Afghanistan in 2006. As a result, items became unaccounted for without an audit trail in Afghanistan.

b. DA Surge Equipment. During the surge of forces between 2009 through 2012, units were often issued TPE and Project Manager (PM) equipment without supporting documentation. As a result, several million dollars worth of FLIPLs were generated. In some instances, PMs issued newly fielded equipment directly to units without paperwork and failed to load these transactions into PBUSE to obtain accountability and visibility. According to DoDIG report "The Army Did Not Properly Account For and Manage Force Provider Equipment in Afghanistan," the Army did not properly account for the 62 Force Provider (FP) modules deployed to Afghanistan from 2001 through 2013, valued at approximately \$424.57 million. This occurred because Army officials

## 1<sup>st</sup> Sustainment Command (Theater) (cont'd)

ACTS-CG

SUBJECT: Command Comments on DoD IG Project D2014-D000JB-0030.000 Draft Report of August 2014, "The Army Needs To Improve the Processes for Reporting Inventory Losses in Afghanistan"

did not place the FP equipment on the incoming unit's hand receipt and DA G-4 policy did not require nonexpendable components to be tracked separately by serial number. As such, \$200 million worth of FP equipment was unaccounted for prior to 2010.

c. Force Provider Equipment and Unit Rotations. Rotating units are allotted 15 days to execute the relief in place/transfer of authority (RIP/TOA) process as the mission responsibility change over from one unit to the next. This brief window includes the transfer of property. In accordance with regulatory guidance, responsible parties are granted 30 days to conduct inventories. However, time and distance does not permit this during a 15 day RIP/TOA. Under accelerated and abbreviated circumstances, property inventories are conducted hastily. For example, some units depart theater without properly clearing their TPE hand receipt with the theater property book officers (TPBO). This created open TPE receipts in the theater property books and degraded the accuracy of the TPBO's TPE records. As a result, the Army's accountability and visibility of theater assets were negatively affected.

d. Property Manager Expertise. Property managers, to include TPBOs, primary hand receipt holders (PHRH), responsible officers (RO), and wholesale responsible officers (WRO) did not have sufficient training and experience to facilitate the supply management process. The majority of FLIPLs were initiated beyond specified timelines, and failed to assess financial liability when there was apparent negligence. The number of items on hand receipts were excessive and difficult to manage. Monthly cyclic and sensitive item inventories were repeatedly delinquent. Unit investigations were insufficient and lacked supporting documentation. Also, findings seldomly held personnel accountable. Technical contractor officer representatives provided inadequate supervision over contracted labor, a direct result of poorly trained personnel. Disregard for applicable regulations and unqualified property managers greatly inhibited property recovery and reconciliation efforts.

e. Material Enterprise Gap and 401<sup>st</sup> AFSB Structure. Material enterprise management experienced a significant gap in Afghanistan. With the inactivation of the Army Field Support Battalion for Southwest Asia in Afghanistan, theater property was not under centralized management until 401st AFSB deployed in 2008. To further complicate the long existing problem, 401st AFSB's S4 shop was not designed to manage the plethora of property issues in Afghanistan. The 401<sup>st</sup> AFSB S4 section consisted of nine personnel, three Soldiers and six Department of the Army Civilians (DACs). These increased manning levels were an evolutionary process in the midst of a very fluid and complex property accountability environment. This structure must be in place from the beginning of operations. Even with the TPE cell, which consisted of seven contractors, the property issues remained insurmountable. After the additional augmentation of 30 contractors from the Army Sustainment Command, the property reconciliation and management continues to be a daunting task.



## 1<sup>st</sup> Sustainment Command (Theater) (cont'd)

ACTS-CG

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### 5. Lessons Learned:

a. Continue to apply the tenets of Command Supply Discipline Program to assess the health of deployed units. Ensure units are adhering to regulatory guidance, policies and procedures in supply management, to include, but not exclusive to executing sensitive and cyclic equipment inventories, signing monthly hand receipts, submitting shortage annexes for components and Basic Issue Items, and clearing TPE hand receipts before redeploying to home stations.

b. Within 1<sup>st</sup> TSC, unit commanders have begun to conduct 100 percent inventories 90 to 120 days prior to leaving theater and process FLIPLs within 60 days of RIP/TOA. The unit transition period is not substantial to support supply management. The command is working with adjacent units to implement this initiative to reduce the amount of unresolved FLIPLs as units redeploy across theater.

c. Develop a theater wide FLIPL tracker and require all units to report their FLIPL status through their administrative chain of command. Train, mentor, and continually develop supply chain managers. Implement standardized training at the unit level to ensure that FLIPLs are processed with consistency. Leaders must enforce suspense dates and deadlines as a part of performance measures.

d. Employ more experienced personnel to fill positions such as property book officers, TPE hand receipt holders, and responsible officers to manage the massive property requirements in theater. Allocate additional military personnel resources to provide government oversight of contractors to ensure adherence to regulatory requirements.

e. Continuously conduct equipment "clean sweeps", floor-to-book and book-to-floor inventories and inspections quarterly to ensure accountability is maintained.

6. Conclusion. The command is aware of the issues developed over an extended period of time, appreciates the review performed by the DoDIG and continues to actively work with strategic commands to improve property management in theater.

7. The 1<sup>st</sup> TSC ACoS G4 points of contact are [REDACTED]

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DARRELL K. WILLIAMS  
Major General, USA  
Commanding

## Acronyms and Abbreviations

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<b>AFSB</b>	Army Field Support Brigade
<b>AFT</b>	Army FLIPL Tracker
<b>AR</b>	Army Regulation
<b>ARCENT</b>	U.S. Army Central Command
<b>ASC</b>	Army Sustainment Command
<b>AWRDS</b>	Army War Reserve Deployment System
<b>CCI</b>	Controlled Cryptographic Items
<b>CII</b>	Controlled Inventory Items
<b>DCG</b>	Deputy Commanding General
<b>FLIPL</b>	Financial Liability Investigation of Property Loss
<b>FLO</b>	Financial Liability Officer
<b>IO</b>	Investigating Officer
<b>LIW</b>	Logistics Inventory Warehouse
<b>PHRH</b>	Primary Hand Receipt Holder
<b>PBUSE</b>	Property Book Unit Supply Enhanced
<b>RPAT</b>	Redistribution Property Assistance Team
<b>SOP</b>	Standard Operating Procedure
<b>TF</b>	Task Force
<b>TPE</b>	Theater Provided Equipment
<b>TSC</b>	Theater Sustainment Command

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