

Naval Audit Service



Audit Report



Marine Corps Equipment Accountability at I Marine Expeditionary Force

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N2011-0027
31 March 2011

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MEMORANDUM FOR THE COMMANDANT OF THE MARINE CORPS

**Subj: MARINE CORPS EQUIPMENT ACCOUNTABILITY AT I MARINE
EXPEDITIONARY FORCE (AUDIT REPORT N2011-0027)**

Ref: (a) NAVAUDSVC memo 7510, dated 30 November 2010
(b) SECNAV Instruction 7510.7F, "Department of the Navy Internal Audit"

1. This report provides results of the subject audit announced in reference (a). Section A of this report provides our finds and recommendation, summarized management response, and our comment on the response. Section B provides the status of the recommendation. The full text of management response is included in the Appendix.
2. Action planned by the Commandant of the Marine Corps meets the intent of the recommendation. The recommendation is considered open pending completion of the planned corrective action and is subject to monitoring in accordance with reference (b). Management should provide a written status report on the recommendation within 30 days after target completion date.
3. Please provide all correspondence to the Assistant Auditor General for Installations and Environment Audits, XXXXXXXXXXXXXXXXXXXXXXXXXX, with a copy to the Director, Policy and Oversight, XXXXXXXXXXXXXXXXXXXXXXXXXX. Please submit correspondence in electronic format (Microsoft Word or Adobe Acrobat file), and ensure that it is on letterhead and includes a scanned signature.
4. Any requests for this report under the Freedom of Information Act must be approved by the Auditor General of the Navy as required by reference (b). This audit report is also subject to followup in accordance with reference (b).

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Subj: **MARINE CORPS EQUIPMENT ACCOUNTABILITY AT I MARINE
EXPEDITIONARY FORCE (AUDIT REPORT N2011-0027)**

5. We appreciate the cooperation and courtesies extended to our auditors.



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Table of Contents

EXECUTIVE SUMMARY	1
Overview	1
Reason for Audit.....	2
Conclusions	2
Federal Managers’ Financial Integrity Act.....	3
Corrective Action	3
SECTION A: FINDING, RECOMMENDATION, AND CORRECTIVE ACTION	4
Finding: Recordkeeping Accuracy	4
Synopsis.....	4
Discussion of Details	5
Background.....	5
Pertinent Guidance	5
Audit Results	6
Recommendation and Corrective Action	13
SECTION B: STATUS OF RECOMMENDATION	14
EXHIBIT A: BACKGROUND	15
EXHIBIT B: SCOPE AND METHODOLOGY.....	17
EXHIBIT C: ACTIVITIES VISITED AND/OR CONTACTED	21
APPENDIX: MANAGEMENT RESPONSE FROM THE COMMANDANT OF THE MARINE CORPS	22

Executive Summary

Overview

In Fiscal Years 2005, 2006, and 2008, the Inspector General of the Marine Corps conducted three Iraq equipment readiness assessments. During these assessments, the Inspector General found, among other things, that most of the units visited had supply accounting records that did not match on-hand quantities. The Inspector General report stated that this trend was systemic throughout the Marine Corps. It also stated that disparities in unit recordkeeping showed non-compliance with proper supply accounting procedures and Marine Corps orders and directives.

On 16 May 2008, the Commandant of the Marine Corps issued White Letter Number 03-08, which addressed equipment accountability. The Commandant noted that, based upon reports by the Inspector General of the Marine Corps, equipment accountability must be improved to ensure that the Marine Corps can effectively meet ongoing and future mission requirements. The letter also noted that accurate equipment accountability ensures accurate readiness reporting, successful justification of resource requests to Congress, and continued ability to provide well-equipped forces to answer the nation's call. Additionally, the letter stated that equipment accountability is a war-fighting and readiness issue and must be a priority.

The Naval Audit Service has also identified problems with recordkeeping for Marine Corps equipment. As reported in Naval Audit Service Report N2010-0028, "Marine Corps Equipment Visibility" (20 May 2010), we pulled a judgmental sample of inventory from six Marine Corps units and compared their Supported Activities Supply System records to on-hand counts. We found accuracy rates for those records ranged from 54 to 80 percent for assets we sampled. According to DoD Instruction 5000.64, "Accountability and Management of DoD-Owned Equipment and Other Accountable Property," a minimum 98-percent physical inventory accuracy rate shall be achieved and maintained.

We conducted our audit between 7 June 2010 and 9 February 2011. The audit focused on unit equipment accountable records as of June 2010.

Reason for Audit

The audit objective was to verify that Marine Corps equipment is being efficiently and effectively managed, and to ensure that units in the field are accurately accounting for the equipment assigned to them. This audit was initiated by the Auditor General of the Navy.

Conclusions

We determined that recordkeeping for equipment assigned to I Marine Expeditionary Force (I MEF) units needs improvement. We obtained a listing of 135 critical Table of Authorized Material Control Numbers from the Deputy Commandant of the Marine Corps, Installations and Logistics. We reviewed the inventory accuracy of 13 of those Materiel Control Numbers at 19 I MEF units. By comparing on-hand counts to inventory records (Consolidated Memorandum Receipts, Mechanized Allowance Listings, and the Supported Activities Supply System), we determined that the units did not always meet the Marine Corps Inspector General's goal of 100-percent inventory accuracy for Marine Corps Automated Readiness Evaluation System reportable and Stores Account Code 3 items. Additionally, unit results did not meet the Department of Defense requirement of a minimum 98-percent inventory accuracy for all assets. Instead, we found accurate records were not maintained for 51 (or 7 percent) of 724 assets assigned to the 19 units we reviewed. These 51 errors were found at 10 (or 53 percent) of the 19 units visited. All of the Materiel Control Numbers we reviewed were Stores Account Code 3 items, and 5 were also readiness system reportable.

We believe this occurred because unit personnel were not held accountable for data inaccuracies and did not update accountable records in a timely manner. It also occurred because Marine Corps guidance did not address the timeliness of Mechanized Allowance Listing or consolidated memorandum receipt updates, and there was no oversight of unit inventory reviews. We determined that, as a result, the I MEF unit records were inaccurate by an absolute value of \$2,280,950. Unit record inaccuracies for on-hand balances could potentially affect unit readiness and redistribution efforts. Inaccurate records also impede a commanding officer's ability to maintain combat readiness and guard against critical shortages and unauthorized excesses.

Communication with Management

Throughout the audit, we kept the Marine Corps informed of the conditions noted. Specifically, we met with the Assistant Chief of Staff (Logistics) and the Inspector General at I MEF on 17 June 2010 to provide our preliminary results. On

16 August 2010, we corresponded with the I MEF major subordinate command representatives for the units we reviewed to provide them with more detailed results.

Additionally, we briefed our results to the Deputy Logistics, Policy and Capability at Headquarters Marine Corps on 21 July 2010.

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act of 1982, as codified in Title 31, United States Code, requires each Federal Agency head to annually certify the effectiveness of the agency's internal and accounting system controls. In our opinion, the weaknesses noted in this report do not warrant reporting in the Auditor General's annual Federal Managers' Financial Integrity Act memorandum identifying management control weaknesses to the Secretary of the Navy.

Corrective Action

We recommend that the Commandant of the Marine Corps:

- Direct the Commanding General, I Marine Expeditionary Force (or their major subordinate commands) to obtain, track, and trend the results of periodic inventories performed by the units and use this data to monitor and improve unit equipment accountability.

Action planned by the Commandant of the Marine Corps meets the intent of the recommendation, which is considered open pending completion of the planned corrective action.

Section A:

Finding, Recommendation, and Corrective Action

Finding: Recordkeeping Accuracy

Synopsis

Recordkeeping for equipment assigned to I Marine Expeditionary Force (I MEF) units needs improvement. We obtained a listing of 135 critical Table of Authorized Material Control Numbers from the Deputy Commandant of the Marine Corps, Installations and Logistics (hereafter referred to as Installations and Logistics). We reviewed the inventory accuracy of 13 of those Materiel Control Numbers at 19 units. By comparing on-hand counts to inventory records, we determined that the units did not always meet the Marine Corps Inspector General's goal of 100-percent inventory accuracy for Marine Corps Automated Readiness Evaluation System reportable and Stores Account Code 3 items. Additionally, unit results did not meet the Department of Defense requirement of a minimum 98-percent inventory accuracy for all assets. Instead, we found that accurate records were not maintained for 51 (or 7 percent) of 724 assets assigned to the 19 units we reviewed. These 51 errors were found at 10 (or 53 percent) of the 19 units visited. All of the Materiel Control Numbers we reviewed were Stores Account Code 3 items and five were readiness system reportable.

We believe this occurred because unit personnel were not held accountable for data inaccuracies and did not update accountable records in a timely manner. It also occurred because Marine Corps guidance did not address the timeliness of the mechanized allowance listing or consolidated memorandum receipt updates, and there was no oversight of unit inventory reviews. As a result, the I MEF unit records were inaccurate by an absolute value of \$2,280,950. Unit record inaccuracies for on-hand balances could potentially affect unit readiness and redistribution efforts. Inaccurate records also impede a commanding officer's ability to maintain combat readiness and guard against critical shortages and unauthorized excesses.

Discussion of Details

Background

Sustained combat operations and high operational tempo have resulted in a significant decline of equipment accountability and readiness throughout the Marine Corps. The Commandant of the Marine Corps has directed commanders at every level to make the issue a priority.

The Commandant of the Marine Corps illustrated the importance of equipment record accuracy in White Letter Number 03-08, dated 16 May 2008. The Commandant stated that, based upon recent reports by the Inspector General, equipment accountability must be improved to ensure that the Marine Corps can effectively meet ongoing and future mission requirements. The letter also noted that equipment accountability ensures accurate readiness reporting, successful justification of resource requests to Congress, and continued ability to provide well-equipped forces. The letter also stated that equipment accountability is a war-fighting and readiness issue and must be a priority.

For additional background information, see Exhibit A.

Pertinent Guidance

According to User's Manual 4400.124, "Fleet Marine Force SASSY [Supported Activities Supply System] Using Unit Procedures," dated April 1984, the Supported Activities Supply System functions as a centralized record keeper, stock manager, and forecaster. It also serves as a central bank or information point for the using units, without negating command responsibility. The supply system is oriented toward removing supply accounting functions from the using unit, and provides management reports to aid the unit commander in maintaining surveillance over the material readiness of the command. Computer-produced documentation is provided to facilitate the receiving, issuing, and accounting for material. The same order also states that the unit supply officer is responsible for reconciling consolidated memorandum receipts on-hand balances and serial numbers for each responsible unit on a quarterly basis.

Marine Corps Order P4400.150E, "Consumer Level Supply Policy Manual," dated 21 June 1999, defines accountability and responsibility for the supply function. It states that accountability is concerned primarily with records, while responsibility is concerned primarily with custody, care, and safekeeping. Responsibility is defined as the obligation for the proper custody, care, and safekeeping of property or funds entrusted to the possession or supervision of an individual. The same order also states that consumer-level supply accounts are not authorized to retain excess material. It notes that commanders will guard against having material in excess of established quantities. It

also says quantities of items on hand or on order greater than authorized levels must be redistributed, returned, disposed of, or canceled.

According to Marine Corps personnel, the Marine Corp's goal for inventory accuracy is 100 percent for Marine Corps Automated Readiness Evaluation System reportable items, 100 percent for Stores Account Code 3 items, and 97 percent for Stores Account Code 1 items.

DoD Instruction 5000.64, "Accountability and Management of DoD-Owned Equipment and Other Accountable Property," dated 2 November 2006, states that a minimum 98-percent physical inventory accuracy rate shall be achieved and maintained.

Audit Results

Recordkeeping for equipment assigned to I MEF units needs improvement. Equipment accountability is important because it ensures accurate readiness reporting, successfully justifies resource requests to Congress, and continues the Marine Corps' ability to provide well-equipped forces.

We judgmentally selected 13 Table of Authorized Material Control Numbers assigned to 19 available I MEF units and compared on-hand counts to inventory records (Consolidated Memorandum Receipts, Mechanized Allowance Listing, and the Supported Activities Supply System). We determined that the units did not always meet the Marine Corps Inspector General's goal of 100-percent inventory accuracy for Marine Corps Automated Readiness Evaluation System reportable and Stores Account Code 3 items. Additionally, unit results did not meet the Department of Defense requirement of a minimum 98-percent inventory accuracy for all assets. Instead, we found that accurate records were not maintained for 51 out of 724 assets we reviewed, resulting in an overall inventory accuracy rate of about 93 percent. Inaccurate records impede the commanding officer's ability to maintain combat readiness and guard against critical shortages and unauthorized excesses.

This situation occurred because unit personnel were not held accountable for data inaccuracies and did not update accountable records in a timely manner. It also occurred because Marine Corps guidance did not address the timeliness of Mechanized Allowance Listing or consolidated memorandum receipt updates, and there was no oversight of unit inventory reviews.

Accuracy of Unit Records

To determine if units were accurately accounting for equipment they had been assigned, we obtained a listing of 135 critical Table of Authorized Material Control Numbers from

Installations and Logistics. Using this list, and a list of available units received from I MEF, we judgmentally selected 13 Materiel Control Numbers and reviewed the equipment record accuracy for those Materiel Control Numbers at 19 I MEF units by comparing on-hand counts to inventory records (Consolidated Memorandum Receipts, Mechanized Allowance Listing and the Supported Activities Supply System). Exhibit B provides more details on the scope and methodology used for our sample selection. The Materiel Control Numbers reviewed, along with nomenclature and asset values, are shown in Table 1. The 19 I MEF units reviewed are listed in Table 2.

Table 1. 13 Table of Authorized Material Control Numbers Reviewed

Table of Authorized Material Control Number	NOMENCLATURE	ASSET VALUE
A01497	Antenna, Communication	\$495,000
A02387	Maintenance Kit, Electric	\$145,000
A02397	Maintenance Kit, Electric	\$45,000
A02407	Maintenance Kit, Electric	\$90,000
A02557	Combat Operations Center	\$1,372,700
A08067	Defense Satellite	\$1,500,000
A25467	Computer, Semi R LT	\$3,500
A71007	Camera System, Digital	\$14,531
A80887	Encryption-Decryption	\$7,950
A80917	Encryption-Decryption	\$9,900
B04767	Mine Detector	\$19,175
D00277	Cougar Cat II	\$680,000
E07207	Hook and Line Kit	\$17,815

Table 2. Listing of 19 Units Reviewed

1st Battalion, 1st Marines Regiment	5th Battalion, 11th Marines Regiment
1st Battalion, 11th Marines Regiment	Air Naval Gunfire Liaison Company
1st Battalion, 5th Marines Regiment	Combat Logistics Battalion 13
11th Marine Head Quarters Battery	Combat Logistics Regiment 17
1st Marine Division- 1st Combat Engineer Battalion	Headquarters Battalion
1st Dental Battalion	Marine Aircraft Group 39
1st Marine Headquarters Company	Marine Air Support Squadron 3
2nd Battalion, 11th Marines Regiment	Marine Wing Support Squadron
2nd Battalion, 5th Marines Regiment	Radio Battalion
3rd Assault Amphibian Battalion	

Upon arrival at each unit, we obtained a copy of the unit's consolidated memorandum receipt to determine locations and serial numbers of each Table of Authorized Material Control Number. A consolidated memorandum receipt is a list of property assigned to a responsible officer. We also obtained a copy of the unit's Mechanized Allowance Listing to determine the quantity of each Materiel Control Numbers assigned to the unit and reconcile any differences that occurred between our 2 April 2010 Supported

Activities Supply System records and the date of our site visit. The Mechanized Allowance Listing is a list of all the organization equipment assigned to a unit. The Mechanized Allowance Listing is used as a tool for controlling the Table of Equipment and special allowance items. It provides current information, such as the National Stock Number, unit price, overages, shortages, and other information for allowance type items. We then conducted a physical inventory count of the 13 judgmentally selected Materiel Control Numbers assigned to that unit. If personnel presented documentation that supported receipts or issues not yet posted, we accounted for those transactions during our counts.

After conducting on-hand counts, we reconciled our counts to the unit's consolidated memorandum receipt, Mechanized Allowance Listing, and Supported Activities Supply System records. DoD Instruction 5000.64, "Accountability and Management of DoD-Owned Equipment and Other Accountable Property," dated 2 November 2006, states that a minimum 98-percent physical inventory accuracy rate shall be achieved and maintained. According to Marine Corps Inspector General personnel, the Marine Corps' goal for inventory accuracy is 100-percent inventory accuracy for Marine Corps Automated Readiness Evaluation System reportable items, 100-percent accuracy for Stores Account Code 3 items, and 97 percent for Stores Account Code 1 items. The automated readiness system reflects the current status of selected ground equipment authorized and possessed by reporting commands/units. The automated readiness system Table of Authorized Material Control Numbers are reportable equipment identified annually in a Marine Corps Bulletin in the 3000 series, the "Table of Marine Corps Ground Equipment Resource Reporting Equipment." The Stores Account Code is the code used to differentiate between appropriation-financed principle items, appropriation-financed secondary items, and stock fund items. Stores Account Code 3 items are appropriation stores account principle end items of major importance and major components. These items require detailed analysis and examination. They are financed through appropriations other than the DON Stock Fund (Marine Corps Division) or Operations and Maintenance, Marine Corps and are not the customer's budget responsibility. As detailed in Table 3, we identified 44 pieces of equipment at 8 units (out of the 19 reviewed) that had overages, shortages, or both. They had an absolute dollar value error totaling \$2,280,950 (this does not include the seven administrative errors discussed later in the report). All of the items we reviewed were Stores Account Code 3 items.

Table 3. Summary of Accountable Record Analysis for I MEF Units

UNIT	TAMCN	OH QTY	MAL QTY	ASSET VALUE	DISCREPANCY	DISCREPANCY TOTAL
1st Battalion, 11th Marines Regiment	A25467	106	107	\$3,500	1 Short	\$3,500
11th Marine Head Quarters Battery	A02387	1	3	\$145,000	2 Short	\$290,000
5th Battalion, 11th Marines Regiment	A02387	0	1	\$145,000	1 Short	\$145,000
5th Battalion, 11th Marines Regiment	A25467	35	37	\$3,500	2 Short	\$7000
Air Naval Gunfire Liaison Company	A80887	2	2	\$7,950	1 Over, 1 Short	\$15,900
Combat Logistics Battalion 13	A02557	3	2	\$1,372,700	1 Over	\$1,372,700
Combat Logistics Battalion 13	A25467	11	11	\$3,500	2 Over	\$7,000
Combat Logistics Regiment 17	A02387	0	1	\$145,000	1 Short	\$145,000
Combat Logistics Regiment 17	A02397	0	2	\$45,000	2 Short	\$90,000
Combat Logistics Regiment 17	A02407	0	1	\$90,000	1 Short	\$90,000
Combat Logistics Regiment 17	A25467	43	65	\$3,500	23 Short	\$80,500
Combat Logistics Regiment 17	A80887	12	14	\$7,950	2 Short	\$15,900
Headquarters Battalion	A25467	73	73	\$3,500	1 Over, 1 Short	\$7,000
Headquarters Battalion	A80887	9	8	\$7,950	1 Over	\$7,950
Marine Air Support Squadron 3	A25467	8	7	\$3,500	1 Over	\$3,500
					TOTAL DOLLAR VALUE	\$2,280,950

For our analysis, we defined an overage or shortage as follows:

Overage: actual amount of on-hand equipment that exceeds the amount recorded on the unit’s Mechanized Allowance Listing. If unit personnel presented documentation that supported receipts or issues not yet posted, we accounted for those transactions during our counts at the units. However, if the documentation provided was incomplete, we did not consider the unit’s records to be accurate.

Shortage: actual amount of on-hand equipment that was less than the amount recorded on the unit’s Mechanized Allowance Listing. If unit personnel presented documentation that supported receipts or issues not yet posted, we accounted for those transactions during our counts at the units. However, if the documentation provided was incomplete, we did not consider the unit’s records to be accurate.

In addition to the discrepancies above, we also identified seven administrative errors

Administrative Errors. For purposes of our review, we defined an administrative error as an instance where overages or shortages were not found, but errors in the units' accountable records were detected. For example, at one unit reviewed (5th Battalion, 11th Marines Regiment), we determined that there was a different serial number on the consolidated memorandum receipt for Table of Authorized Material Control Number A80887. Personnel provided documentation showing that the item was sent to maintenance and in return, they received a replacement. However, documentation to replace the A80887 was dated 30 March 2010, and we visited the unit during June 2010. This adjustment was untimely because over 60 days had elapsed. At another unit (1st Battalion, 11th Marines Regiment), we identified 10 targeting systems that were incorrectly classified on the consolidated memorandum receipt under Table of Authorized Material Control Number A25467. Unit personnel said the correct Table of Authorized Material Control Number was A2560. According to Marine Corps Order 4400.150E, timely adjustment of the balance record is necessary so that action to dispose of excesses and replenish deficiencies can occur.

Why the Discrepancies Occurred

To determine why the accountable records did not always agree with our physical counts, we interviewed unit, major subordinate command, and I MEF level personnel and reviewed pertinent guidance related to Marine Corps supply management. Based on our review, we concluded that this occurred because unit personnel were not always held accountable for data inaccuracies and did not update accountable records in a timely manner. It also occurred because Marine Corps guidance did not address the timeliness of Mechanized Allowance Listing or consolidated memorandum receipt updates and because there was no oversight of unit inventory reviews.

Accountability and Oversight for Data Accuracy. Every unit, according to Marine Corps guidance, is required to perform periodic physical inventories throughout the year. These reviews include quarterly consolidated memorandum receipt reconciliations and annual physical inventories. These reviews also include periodic inventories that occur as a result of rotations to key unit level personnel (commanding officers, supply officers and responsible officers). Due to the various types of physical inventories discussed above, we would have expected to see very few errors. However, as earlier stated, this was not the case. Instead, we found that accurate records were not maintained for 51 (or 7 percent) of 724 assets assigned to the 19 units we reviewed. These 51 errors were found in 19 (or 30 percent) of the 64 line items we examined and at 10 (or 53 percent) of the 19 units visited.

To determine what occurs with the results of the various physical inventories conducted by each of the units, we contacted personnel from 2 of the 4 major subordinate commands representing the 19 units reviewed. Both stated that the inventory results are maintained at the unit level, not at the major subordinate command level. One major

subordinate command representative stated that inventories are verified by the major subordinate command during Supply and Maintenance Analysis Team visits. They said trends can be viewed during these visits. The other major subordinate command representative stated that I MEF G4 tracks and develops trend analysis using Web-based systems. We reviewed I MEF G4's data tracking and analysis efforts and found that the MEF captures and analyzes some important information such as: duplicate serial numbers, equipment shortages not on order, Mechanized Allowance Listing on-hand not equaling consolidated memorandum receipt on-hand, equipment excesses, equipment readiness, and other data. However, we did not see where the various physical inventories that units conducted were tracked. We believe that this lack of oversight (of the multiple physical inventories conducted by each unit) perpetuates equipment inventory inaccuracies. For example, by not obtaining the results of these reviews collectively for its assigned units, the chain of command above the unit level (major subordinate command and MEF) cannot track the results of these reviews over multiple inventories. They also are unable to perform trend analysis of those results to identify units who do a very good job with their equipment accountability or units that may need help. We believe that proper accountability procedures at the unit level need to be addressed from higher level command to encourage personnel to achieve accurate accountability and hold them accountable for data inaccuracies.

Timely Updates and Guidance. Unit supply personnel did not always update accountable records in a timely manner. According to Marine Corps Order 4400.150E, "Consumer Level Supply Policy Manual," the accounting record must be brought into alignment with the actual on-hand quantity upon conclusion of required inventories and at any other time imbalances are discovered. It also states that timely processing of pending transactions will facilitate disposal and redistribution efforts for excess equipment. However, the guidance does not specify a timeframe for making these adjustments. We noted that some previous record updates were not processed in a timely manner. For example, at one unit we reviewed, we identified a piece of equipment that was not listed on the consolidated memorandum receipt. Unit personnel informed us that it was previously listed on the January 2010 consolidated memorandum receipt reconciliation. However, at the time of our review in June 2010, the unit had not taken action to update their consolidated memorandum receipt. At another unit we reviewed, we identified a piece of equipment that was transferred in from another unit in September 2008. However, at the time of our review in June 2010, the unit had not updated its Mechanized Allowance Listing or consolidated memorandum receipt. Marine Corps guidance does not address the timeliness of updating and reconciling the Mechanized Allowance Listing or consolidated memorandum receipt.

In Naval Audit Service report N2010-0038.001, "Marine Corps Equipment Accountability at II Marine Expeditionary Force," we reported these same causes of inventory inaccuracies identified at II MEF units. To correct the deficiencies noted in that report, we recommended that the Commandant of the Marine Corps:

- Require supply officers to conduct periodic spot inventory reviews of on-hand equipment maintained by their responsible officers to verify accuracy of unit records.
- Update guidance to establish time requirements for updating the Mechanized Allowance Listing and consolidated memorandum receipt.

We believe that the above recommendations will also correct some of the deficiencies we identified in this report; however, because the recommendations were already addressed in our prior report, we will not be including them in this report.

Impact of Inaccurate Recordkeeping

As stated earlier, the Marine Corps need to improve equipment recordkeeping for I MEF units. We found that accurate records were not maintained for 51 (or 7 percent) of 724 assets assigned to the 19 units we reviewed. These 51 errors were found at 10 (or 53 percent) of the 19 units visited. As a result of these discrepancies, we determined that the I MEF unit records were inaccurate by an absolute value of \$2,280,950. Unit record inaccuracies for on-hand balances could potentially affect unit readiness and redistribution efforts. Inaccurate records also impede a commanding officer's ability to maintain combat readiness and guard against critical shortages and unauthorized excesses.

Due to ongoing war efforts, the visibility of unit level readiness from higher level chain-of-command is highly important. However, if a unit has inaccurate equipment accountability, then the unit may appear to be in a different readiness state, instead of the actual readiness state.

Additional Observations. When performing our site visits to I MEF units, we encountered some situations that we believe merit reporting due the Commandant of the Marine Corps' desire to improve equipment accountability. Those situations were:

- We identified a lack of communication between some supply officers and responsible officers. One supply officer was unaware of a change in responsible officers and complained about the lack of communication, specifically pertaining to equipment accountability issues. Also, supply officers often had difficulty identifying or contacting responsible officers responsible for our sample Table of Authorized Material Control Numbers.
- We identified a lack of concern by some unit supply personnel for the discrepancies we identified. For example, when we discussed these issues with unit supply personnel, those personnel did not always make efforts to identify the underlying cause of the discrepancies.

- We were sometimes escorted by personnel who did not know where equipment we were reviewing was located or what it looked like.
- We could not always obtain equipment transfer or custody documentation on the day of our site visit.

Recommendation and Corrective Action

Our recommendation, summarized management response, and our comment on the response are presented below. The complete text of management responses is in the Appendix.

We recommend that the Commandant of the Marine Corps:

Recommendation 1. Direct the Commanding General, I Marine Expeditionary Force (or their Major Subordinate Commands) to obtain, track, and trend the results of periodic inventories performed by the units and use this data to monitor and improve unit equipment accountability.

Management Response to Recommendation 1. Concur. The Commanding General of I Marine Expeditionary Force requires his Staff and Major Subordinate Commanders to obtain, track, and trend periodic wall-to-wall inventories. The results of these directed inventories are monitored, and applicable guidance is disseminated to improve equipment accountability. Request that this action be considered completed. To support our request for Naval Audit Service closure of the recommendation, the Marine Corps will provide, in separate correspondence by 9 September 2011, documentation of periodic inventory completion, tracking, and trend analyses for inventories performed by I Marine Expeditionary Force units and how this data is used to monitor and improve unit equipment accountability.

Naval Audit Service comments on the response to Recommendation 1. Planned action by management meets the intent of the recommendation. During follow up conversations with I Marine Expeditionary Force Supply personnel in March 2011, we were informed that the actions discussed above had not yet taken place, but were scheduled to start soon. This recommendation is considered open pending evidence of tracking and trending of physical inventory results, as discussed in Management comment. The estimated completion date is 9 September 2011.

Section B:**Status of Recommendation**

Recommendations							
Finding ¹	Rec. No.	Page No.	Subject	Status ²	Action Command	Target or Actual Completion Date	Interim Target Completion Date ³
1	1	13	Direct the Commanding General, I Marine Expeditionary Force (or their Major Subordinate Commands) to obtain, track, and trend the results of periodic inventories performed by the units and use this data to monitor and improve unit equipment accountability.	O	Commandant of the Marine Corps	9/9/11	

¹ / + = Indicates repeat finding.

² / O = Recommendation is open with agreed-to corrective actions; C = Recommendation is closed with all action completed; U = Recommendation is undecided with resolution efforts in progress.

³ If applicable.

Exhibit A:

Background

On 16 May 2008, the Commandant of the Marine Corps issued White Letter 03-08, which addressed equipment accountability. In this letter, he noted that based upon recent reports by the Inspector General, equipment accountability must be improved to ensure the Marine Corps can effectively meet ongoing and future mission requirements. His letter also noted that accurate equipment accountability ensures accurate readiness reporting, successful justification of resource requests to Congress, and continued ability to provide well-equipped forces to answer our nation's call as the force in readiness. Additionally, his letter stated that equipment accountability is a war-fighting and readiness issue and must be a priority.

The Naval Audit Service has identified previous problems with record-keeping for Marine Corps equipment. As reported in Naval Audit Service Report N2010-0028, "Marine Corps Equipment Visibility," dated 20 May 2010, we pulled a judgmental sample of inventory from 6 Marine Corps units and compared their Supported Activities Supply System records to on-hand counts. We found that accuracy rates for those records ranged from 54 percent to 80 percent for the assets we sampled. According to DoD Instruction 5000.64, "Accountability and Management of DoD-Owned Equipment and Other Accountable Property," a minimum 98-percent physical inventory accuracy rate shall be achieved and maintained.

To complete this audit, we were provided with 135 "mission critical" Table of Authorized Materiel Control Numbers by the Deputy Commandant of the Marine Corps, Installations and Logistics. A Table of Authorized Material Control Number is used to identify a specific item within the Marine Corps inventory. We used two legacy logistics systems: Total Force Structure Management System and Supported Activities Supply System to conduct our Materiel Control Numbers analysis and on-hand counts at the units. A discussion of the systems reviewed follows.

Total Force Structure Management System – Total Force Structure Management System is an enterprise system that combines manpower and equipment data for the purpose of managing the Total Force. The Marine Corps uses the Total Force Structure Management System to make decisions pertaining to active, reserve, and civilian billet requirements and equipment allowances. It allows logical, accurate, and efficient management of the Marine Corps Total Force Structure Process. Marine Corps Combat Development Command personnel are responsible for this system.

Supported Activities Supply System – The Supported Activities Supply System functions as a centralized record keeper, stock manager, forecaster, and central bank or

information point for the using units without negating command responsibility. The supply system is oriented toward removing supply accounting and recordkeeping functions from the using unit and provides management reports to aid the unit commander in maintaining surveillance over the materiel readiness of his command. Computer produced documentation is provided to facilitate the receiving, issuing, and accounting for materiel. Marine Corps Logistics Command personnel are responsible for this system.

Exhibit B:

Scope and Methodology

We conducted the audit of Marine Corps Equipment Accountability at I Marine Expeditionary Force from 7 June 2010 to 9 February 2011.

Table of Authorized Material Control Number Selection

To conduct our review, we were provided with 135 “mission critical” Table of Authorized Materiel Control Numbers from the Deputy Commandant of the Marine Corps, Installations and Logistics (hereafter referred to as Installations and Logistics). Originally, we were provided with a list of 93 Materiel Control Numbers on 8 December 2009. Later, Installations and Logistics provided a revised list of 111 Materiel Control Numbers on 20 January 2010. We compared the two lists and identified 24 Materiel Control Numbers that were deleted from the original list and 42 Materiel Control Numbers that were added. To broaden our scope, we included the 24 Materiel Control Numbers tables that were deleted from the revised list in our review. This resulted in a total of 135 Materiel Control Numbers. Of the 135 Materiel Control Numbers under review, 104 are reported in the Marine Corps Automated Readiness Evaluation System. Additionally, 64 of the 104 are classified as “mission essential equipment.”

For each of the 135 Table of Authorized Material Control Numbers included in our review, we obtained the Approved Acquisition Objective quantity from the Total Force Structure Management System and the on-hand and backorder amounts as contained in the Supported Activity Supply System from Marine Corps Logistics Command. Using this data, we combined the on-hand and backorder quantities for each Materiel Control Numbers, and compared this total to the Approved Acquisition Objective listed in Total Force Structure Management System. Based upon this comparison, we identified 31 Materiel Control Numbers where the Approved Acquisition Objective was lower than the combined on-hand and backorder quantities.

For each of the 31 Table of Authorized Material Control Numbers, we interviewed Marine Corps Combat Development Command personnel to determine any planned Approved Acquisition Objective changes. We also interviewed Marine Corps Systems Command personnel to determine purchasing procedures, purchasing status information, and any relevant information concerning the 31 Materiel Control Numbers. Additionally, we obtained from Marine Corps Logistics Command the validated backorder amount for each Materiel Control Number. We used the validated backorder quantity, instead of the backorder quantity listed in the Supported Activities Supply System, because we considered it more reliable.

Based upon our discussions with Marine Corps Systems Command personnel, we determined that 10 of the 31 Table of Authorized Material Control Numbers will not be purchased in the future (these items may have been a one-time buy, phased out, or Approved Acquisition Objective archived). Also, based upon our discussions with Marine Corps Combat Development Command personnel, we determined that 5 of the 31 Materiel Control Numbers had Approved Acquisition Objective increases in process. This would raise the Approved Acquisition Objective above the on-hand plus backorder amount. Additionally, 3 of the 31 Materiel Control Numbers had a lower validated backorder quantity than listed in the Supported Activities Supply System. As a result, we decided to proceed into the I MEF site review with the 13 Materiel Control Numbers ($31 - (10+5+3) = 13$) where on-hand plus back-order amounts potentially still exceeded the Approved Acquisition Objective.

We reviewed Marine Corps Order 5311.1D, "Total Force Structure Process," dated 26 February 2009, which states that Total Force Structure Management System is the single, authoritative source that documents all force structure requirements and authorizations, including: unit descriptive and geographic hierarchy data; billet descriptive and unit relationship data; Principle End Item attributes, including Approved Acquisition Objectives; Unit Approved Acquisition Objectives (Unit Table of Equipment Requirements); unfunded requirement quantities; and planned procurement quantities.

We reviewed Marine Corps Bulletin 3000, "Marine Corps Automated Readiness Evaluation System Equipment," dated 2 February 2010, which contains Table of Authorized Material Control Numbers within the Marine Corps Automated Readiness Evaluation System. It further lists Materiel Control Numbers that are classified as Mission Essential Equipment.

We reviewed Marine Corps Order 4000.57, "Marine Corps Total Life-Cycle Management," dated 16 September 2005, which states that Marine Corps Systems Command program managers are the single point of accountability for timely and effective acquisition and sustainment of weapons systems, equipment, and information technology, including the National Security System, throughout the life cycle.

Accuracy of Unit Records

To conduct our site reviews, we requested a list of available units from I Marine Expeditionary Force (I MEF) personnel. We defined a unit as being available for review if it was not deployed, if it was not about to deploy, or if it was not just returning from deployment. Using these criteria, I MEF provided us a list of 22 available units. We compared our list of Table of Authorized Material Control Numbers to the list of units and found that 20 of those units possessed at least one of our Materiel Control Numbers. Therefore, due to the number of Materiel Control Numbers under review, we decided to

review 20 of the available units. However, once we were on site, we discovered that one of those units was preparing for deployment. Consequently, we limited our review to 19 units.

Upon our arrival at each unit, we obtained a copy of the unit's Consolidated Memorandum Receipts and mechanized allowance list. The consolidated memorandum receipt was obtained to determine the locations and serial numbers of each Table of Authorized Material Control Number, and the Mechanized Allowance Listing was obtained to determine the quantity onhand according to the unit's records. The consolidated memorandum receipt is an Asset Tracking Logistics and Supply System produced listing of the property assigned to a responsible officer. The consolidated memorandum receipt lists authorized allowance items in possession of the responsible units. The consolidated memorandum receipt will resemble the printout of the Mechanized Allowance Listing, except it will have Marine Corps serial numbers of all on-hand allowance type items. The Mechanized Allowance Listing is a list of all the organization equipment assigned to a unit. Both Asset Tracking Logistics and Supply System and the Supported Activities Supply System have versions of this file, but the Supported Activities Supply System version is the authoritative file. The Mechanized Allowance Listing is a tool for controlling the Table of Equipment and special allowance. It also provides current information, such as the National Stock Number, unit price, overages, shortages, and other information for allowance type items. We then conducted a physical inventory count of each Table of Authorized Material Control Number (from our list of Materiel Control Numbers) assigned to that unit.

We summarized our on-hand counts and the on-hand quantities shown in the units' Mechanized Allowance Listing (provided to us by the units' supply personnel) to determine potential overages and shortages of our sample Table of Authorized Material Control Numbers. When differences were observed, we discussed those differences with supply personnel to determine if there were any pending transactions that may explain our differences.

We reviewed Marine Corps Order 5530.14A, "Marine Corps Physical Security Program Manual," dated 5 June 2009. The mission of this criterion was to establish the Marine Corps Physical Security Program and provide policy to support commanders' efforts to maintain a robust physical security program. This criterion also covers the scope of assets that require a missing, lost, stolen, or recovered report.

We reviewed DoD Instruction 5000.64, "Accountability and Management of DoD-Owned Equipment and Other Accountable Property," dated 2 November 2006, which states a minimum 98-percent physical inventory accuracy rate shall be achieved and maintained.

We reviewed Marine Corps Order P4400.150E, “Consumer-Level Supply Policy Manual,” dated 21 June 1999, which provides policy for consumer-level supply activities.

We reviewed Marine Corps Users Manual 4400-124, which states that the Supported Activities Supply System functions as a centralized recordkeeper, stock manager, and forecaster. It also serves as a central data bank or information point for the using units without negating command responsibility.

According to Marine Corps personnel, the Marine Corps’ goal for inventory accuracy is 100 percent for the Marine Corps Automated Readiness Evaluation System reportable items, 100 percent for Stores Account Code 3 items, and 97 percent for Stores Account Code 1 items.

We conducted this performance audit 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.

Exhibit C:

Activities Visited and/or Contacted

Activity	Location
Marine Corps Headquarters Installations and Logistics	Arlington, VA
Marine Corps Forces Command	Norfolk, VA
Marine Corps Combat Development Command	Quantico, VA
Marine Corps Systems Command	Quantico, VA
Marine Corps Logistics Command	Albany, GA
Marine Corps Camp Pendleton	Camp Pendleton, CA

Appendix:

Management Response from the Commandant of the Marine Corps



DEPARTMENT OF THE NAVY
HEADQUARTERS UNITED STATES MARINE CORPS
3000 MARINE CORPS PENTAGON
WASHINGTON, DC 20350-3000

IN REPLY REFER TO:
7500
RFR-80
09 Mar 11

From: Commandant of the Marine Corps
To: Assistant Auditor General for Installations and
Environments Audits

Subj: COMMANDANT OF THE MARINE CORPS (CMC) OFFICIAL RESPONSE
TO NAVAL AUDIT SERVICE (NAVAUDSVC) DRAFT REPORT
N2010-NIA000-0038.002, "MARINE CORPS EQUIPMENT
ACCOUNTABILITY AT I MARINE EXPEDITIONARY FORCE," DATED
9 FEBRUARY 2011

Ref: (a) NAVAUDSVC memo 7510 N2010-NIA000-0038.002 of 9 Feb 11

Encl: (1) CMC Official Responses

1. Official responses required by reference (a) are provided at the enclosure.
2. Enclosure (1) was coordinated with Headquarters, U. S. Marine Corps, Programs & Resources and Installations & Logistics Departments; Marine Corps Combat Development Command; Marine Corps Systems Command; Marine Corps Logistics Command, Marine Corps Forces Central Command; Marine Corps Forces Pacific; and the Marine Corps Forces Command.
3. To support our request for NAVAUDSVC closure of recommendation 1, the Marine Corps will provide, in separate correspondence by 9 September 2011, documentation of periodic inventory completion, tracking, and trend analyses for inventories performed by I MEF units and how this data is used to monitor and improve unit equipment accountability.
4. The Marine Corps appreciates the opportunity to respond to the report.

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Subj: COMMANDANT OF THE MARINE CORPS (CMC) OFFICIAL RESPONSE
TO NAVAL AUDIT SERVICE (NAVAUDSVC) DRAFT REPORT
N2010-NIA000-0038.002, "MARINE CORPS EQUIPMENT
ACCOUNTABILITY AT I MARINE EXPEDITIONARY FORCE," DATED
9 FEBRUARY 2011

5. If you have any questions about the responses, please
contact [REDACTED], Headquarters, U. S. Marine Corps
Senior Audit Liaison, email [REDACTED] or phone [REDACTED]
[REDACTED], DSN [REDACTED].

FOIA (b)(6)

[REDACTED]
[REDACTED]

FOIA (b)(6)

Deputy Commandant
for Programs and Resources

Copy to:
NAVINGEN (N4)
DMCS

7510
LPC-2
MAR 02 2011

LOGISTICS PLANS, POLICIES, AND STRATEGIC MOBILITY DIVISION COMMENTS on NCATS
Task PR-2011-02-2253

Subj: NAVAL AUDIT SERVICE (NAS) DRAFT REPORT, NIA000-003B.002, MARINE
CORPS EQUIPMENT ACCOUNTABILITY AT I MARINE EXPEDITIONARY FORCE

Ret: (a) MCO 7510.3E

1. Pursuant to the reference, the following response to the subject report is provided:

Recommendation 1: Direct the Commanding General, I Marine Expeditionary Force (or their Major Subordinate Commands) to obtain, track, and trend the results of periodic inventories performed by the units and use this data to monitor and improve unit equipment accountability.

CMC Response to Recommendation 1: Concur. The Commanding General of I Marine Expeditionary Force requires his Staff and Major Subordinate Commanders to obtain, track, and trend periodic wall-to-wall inventories. The results of these directed inventories are monitored, and applicable guidance is disseminated to improve equipment accountability. Request that this action be considered completed.

2. The point of contact in this division is [REDACTED], LPC-2 at [REDACTED] or [REDACTED].

[REDACTED]
[REDACTED]
By direction

FOIA (b)(6)

FOIA (b)(6)

Encl (1)

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