INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202

Report
No. 90-078

May 31, 1990

MEMORANDUM FOR ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)

SUBJECT: Final Quick-Reaction Report on the Accountability and Control of Reclaimed B-52 Assets, Tail Number B52G-58-0190 (Project No. 9LB-0062.01)

Introduction

On August 30, 1989, we started the Audit of Accountability and Control of Materiel at Depot Maintenance Facilities (Project No. 9LB-0062). The audit objective was to evaluate the effectiveness of internal control policies and procedures used to account for and control materiel used by depot maintenance facilities. During the audit, we reviewed the accountability and control over assets reclaimed from a fire damaged B-52 aircraft. The B-52 system program manager did not comply with the requirements of Air Force Logistics Command Regulation (AFLCR) 65-31, "Reclamation of USAF Property," December 11, 1989, resulting in the lack of accountability and control over reclaimed assets valued at least at $2.4 million and maybe as much as $15 million. In addition, the disassembly activity did not identify and document the assets removed from the aircraft. Prompt action is required because the lack of accountability may result in the unnecessary procurement of aircraft parts. There is also an increased risk of loss due to theft.

Background

In August 1989, a B-52 aircraft, tail number B52G-58-0190, which was receiving depot maintenance at the San Antonio Air Logistics Center, Texas, caught fire and was partially destroyed. Although the aircraft was heavily damaged, assets remained that could have been reclaimed. We visited the San Antonio Air Logistics Center and the system manager's office at the Oklahoma City Air Logistics Center, Oklahoma City, Oklahoma, during our review of this reclamation project.

AFLCR 65-31 describes the policies and procedures for reclaiming assets. Reclaiming assets and maintaining asset control is the joint responsibility of the system manager, the inventory control points (ICP), and the disassembly activity.

The system manager is required to develop a save list and provide instructions for reclaiming assets to the disassembly activity. A save list should include the national stock number, part number, quantity, disposition, and any additional data needed to adequately control the parts to be removed. A requirement should exist for all parts included on the save list. The ICP's should consider these assets in the requirements' determination process. The disassembly activity reclaims those items shown on the save list and processes the appropriate documentation to establish accountability.

Discussion

System Manager. The B-52 system manager at the Oklahoma City Air Logistics Center did not prepare a detailed save list for the damaged aircraft. A listing of assets to be reclaimed was provided to the disassembly activity, but it was not an adequate basis for establishing accountability and control over assets. It did not include national stock numbers, part numbers, quantity, or other identifying data. Instead it contained only general classes of assets such as avionics, rudders, and fairings. Also, the system manager did not coordinate with item managers, as required by AFLCR 65-31, to determine which reclaimed assets were needed to satisfy known requirements.

Disassembly Activity. The disassembly activity, the San Antonio Air Logistics Center, established a job order to fund the reclamation project; however, it did not assign overall project responsibility to a single office or person. The activity did not prepare a comprehensive listing of assets removed from the aircraft. As of February 14, 1990, the reclamation project was substantially complete; however, not all of the assets had been recorded on accountability records. We were initially provided a listing of transactions for structural components, mostly spoilers, removed from the aircraft. The listing included the document number, transaction code, and part or national stock number. Our review disclosed that these transactions were either not recorded or were recorded incorrectly. We were subsequently provided additional listings of reclaimed assets.

Our review of these listings found that incorrect transaction codes, job order numbers, and condition codes were used to record materiel returned to supply. The listings were also incomplete and avionics assets identified as being removed could not be physically located. The assets recorded in the supply system were processed using transaction code D6R. This transaction would not indicate to item managers that an asset was available to satisfy a requirement.

Transaction Codes. A D6R transaction code transfers an asset to supply on an exchangeable basis. The supply activity establishes a suspense Due Out to Maintenance (DOTM) record indicating that a serviceable asset should be sent to maintenance in exchange for the asset returned with a transaction code D6R. When the supply activity sends a serviceable asset to maintenance, the suspense is removed. As a result of this incorrect transaction code, the assets on the listings provided to us were not made available to item managers to satisfy wholesale requirements. The appropriate transaction code would be D6L, which tells the item manager that a new asset is available to satisfy requirements and that a DOTM record should not be established.

Other Codes. Maintenance personnel turned in reclaimed assets that had incorrect job order numbers and condition codes to the supply activity. Instead of the job order number established for the reclamation project, several other job order numbers were used. The job order number is used to record all activity against a project. The use of several job order numbers reduced visibility over assets specifically reclaimed from aircraft B52G-58-0190. The system manager directed that condition code X (undetermined condition) be used to record turn-ins; however, the disassembly activity used condition code F (unserviceable condition).

We discussed our findings with management during our visit, and management agreed that the transaction codes, job order numbers and condition codes should be corrected and stated that the corrections would be made.

Avionics Equipment. We were initially provided a list of over 270 avionics assets removed from the aircraft. Maintenance personnel prepared this list when the assets were removed. The list did not include part numbers or national stock numbers for many items, and some lines listed the asset as unknown. We selected five items from the list that were identified by serial number and part or national stock number. These items were also listed as confidential assets. We attempted to physically locate these items and determine if they had been returned to the supply activity. We were unable to locate any of the five assets or determine if they had been returned to supply even though they were classified as confidential and should have been strictly accounted for.

Subsequent lists of avionics equipment that were provided to us did not include all of the 270 items on the initial list. For example the list of avionics equipment returned to supply included only 120 items and did not show any assets as still being held in the maintenance area. The avionics division should prepare documentation for all 270 items removed from the aircraft.

Aircraft Engines. The lists we received did not include the aircraft engines. There were nine engines associated with this aircraft. Four engines were returned to supply. The other five engines, all serviceable, had been held in the maintenance area from the time of the accident in August 1989 until our visit to the maintenance area in February 1990. The engines were returned to the supply system on February 16, 1990, and were shipped to the Strategic Air Command on February 20, 1990. Because the engines were held in the maintenance area, they were not available for installation on other aircraft for at least 6 months. We found documentation prepared immediately after the accident stating that the engines were needed for installation on other aircraft. We were unable to determine why the engines were not promptly made available for such other use.

Conclusion. We were able to assign a value to some of the assets on the listings provided us. The assets that we were able to identify were valued at $2.4 million. The Oklahoma City Air Logistics Center had developed a save list in March 1988 for another crash that damaged a B-52 aircraft. This save list showed $15.1 million of assets with known requirements that could have been reclaimed. We believe that the value of assets reclaimed from aircraft B52G-58-0190 could equal $15.1 million. We were able to establish value for $2.4 million of the assets reclaimed, but that does not include the total value of assets known to have been reclaimed. Prompt action is needed to ensure that all assets are accounted for and that item managers are made aware of the assets' availability.

Recommendations

1. We recommend that the Commander, Oklahoma City Air Logistics Center:

a. Direct that the system manager assist the San Antonio Air Logistics Center in preparing a list of assets reclaimed and available to be reclaimed from aircraft B52G-58-0190.

b. Direct that the system manager initiate and coordinate action with the appropriate item manager to review requirements for assets removed from aircraft B52G-58-0190 and provide disposition instructions as appropriate.

2. We recommend that the Commander, San Antonio Air Logistics Center:

a. Develop a comprehensive listing of assets removed from aircraft B52G-58-0190.

b. Enter all assets removed from aircraft B52G-58-0190, and not yet recorded, into the supply system using

transaction code D6L, and record these assets against a job order number identifying reclamation activity for aircraft B52G-58-0190.

c. Correct all transactions already recorded to show transaction code D6L and a job order number for aircraft B52G-58-0190.

Management Comments

The Assistant Vice Chief of the Air Force responded to our report on April 23, 1990 (Enclosure 1). He concurred with the recommendations, but did not concur with $15.1 million as a potential reclamation savings (Enclosure 2). The Assistant Vice Chief stated that, when all actions are complete, he would provide us the actual reclamation savings.

Audit Response to Management Comments

Management comments are responsive. We accept management's offer to provide us with the actual reclamation savings' figures after all actions are complete. We request that the information provided include the national stock numbers and specific actions taken on each part.

Copies of this report are being provided to the activities listed in Enclosure 4.

Please contact Mr. Thomas F. Gimble on (202) 694-6227 (AUTOVON) 224-6227 or Mr. Walter R. Loder, Jr., on (202) 694-6224 (AUTOVON) 224-6224 if you have any questions concerning this quick-reaction report. The cooperation and courtesies extended to the audit staff are appreciated. The audit team members are listed in Enclosure 3.

Edward R. Jones
Deputy Assistant Inspector General
for Auditing

Enclosure

cc:
Secretary of the Air Force
Comptroller of the Air Force, SAF/ACRA

DEPARTMENT OF THE AIR FORCE
OFFICE OF THE CHIEF OF STAFF
UNITED STATES AIR FORCE
WASHINGTON, D C 20330

23 April 1990

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING
OFFICE OF THE INSPECTOR GENERAL
DEPARTMENT OF DEFENSE

SUBJECT: DoD (IG) Draft Report, "Quick-Reaction Report On The Accountability And Control Of Reclaimed B-52 Assets, Tail Number B52G-58-0190," (Project 9LB-0062.01) - INFORMATION MEMORANDUM

The attached comments are forwarded in reply to your memorandum for Comptroller of the Air Force, dated 2 April 1990, requesting comments on the findings and recommendations made in the subject report. On enclosure 1 you identified a cost avoidance of $2.4 - $15.1 million. AFLC is unable to confirm the $15.1 million as potential reclamation savings from this aircraft. When the complete listing of removed items from SA-ALC is received, the potential versus actual reclamation dollar figures will be addressed and provided to you.

Carl R. Smith
CARL R. SMITH, Lt General, USAF
Assistant Vice Chief of Staff

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Comments

DoD (IG) DRAFT REPORT OF AUDIT OF SPARE PARTS BREAKOUT PROGRAM (Project 9LB-0062.01)

Recommendations:

Recommendation 1. We recommend that the Commander, Oklahoma City Air Logistics Center:

a. Direct that the system manager assist San Antonio Air Logistics Center in preparing a list of assets reclaimed and available to be reclaimed from aircraft B52G-58-0190.

b. Direct that the system manager initiate and coordinate action with the appropriate item manager to review requirements for assets removed from aircraft B52G-58-0190 and provide disposition instructions as appropriate.

Management Comments:

Recommendation 1a/b. Concur. OC-ALC/MMHS letter, Subject; "Removed Parts From B-52G-58-0190," dated 5 Apr 90, provided National Stock Numbers (NSN) to SA-ALC/MAB on all items removed from aircraft 58-0190 that were identifiable. The letter also requested that SA-ALC identify all items removed from the aircraft. When this action is completed, the remaining NSNs will be provided to SA-ALC. After all NSNs are identified the system manager will coordinate disposition actions with the item manager. ECD: 31 May 90.

Recommendation 2. We recommend that the Commander, San Antonio Air Logistics Center:

a. Develop a comprehensive listing of assets removed from aircraft B52G-58-0190.

b. Enter all assets removed from aircraft B52-58-0190, and not yet recorded, into the supply system using transaction code D6L, and record these assets against a job order number identifying reclamation activity for aircraft B52G-58-0190.

c. Correct all transactions already recorded to show transaction code D6L and a job order number for aircraft B52G-58-0190.

Management Comments:

Recommendation 2a. A comprehensive listing of all assets removed from aircraft B52G-58-0190 was compiled and a copy furnished to the DoD (IG) audit inspectors. Closed.

Recommendation 2b. All assets which were removed, but not turned into the supply have been logged and are being processed into the supply system using Document Identifier Code (DIC) D6L. ECD: 30 Apr 90.

Recommendation 2c. Action to correct all transactions already recorded from DIC D6R to D6L is ongoing. A meeting was held on 4 Apr 90 between SA-ALC/DSSD (supply) and SA-ALC/MABS (aircraft material) to establish procedures and assign OPRs to reverse transactions on assets that were turned-in coded D6R. A Job Order Number (JON) has been assigned to B-52G-58-0190 (Control Number T7301, JON suffix 03A, DPC N). ECD: 30 Apr 90.

Management Comments on Report:

Nonconcur with the figure of $15.1 million as potential reclamation savings from this aircraft. When the completed listing of removed items from SA-ALC is received, the potential versus actual reclamation dollars figures will be provided to you. Most of the assets require examination and inspection prior to identifying them as serviceable to the item manager.

The camera the auditors located in supply was turned-in to supply on Document Number MBPBAA00230211, FSN 5821-00-371-4346AY, 23 Jan 90. This camera was also on the initial list provided to the auditors as Item No. 238.

Aircraft Engines. The engines were not made available for use on other aircraft because the investigation board had the engine records and the engines in their control. After the Board concluded the investigation, all efforts were expended to obtain the engine records with negative results. SAC will not fly engines without records. The decision was made to send the engines back to the SAC base and let them reconstruct the records and use the engines. During inspection of these engines by SAC personnel, five were determined to require depot repair. The engines have been returned to depot for repair.

System Manager. A current B-52G save list was not available for use. Preparation of a Nonprogrammed Aircraft Save Lists (NPASLs) take a minimum of six weeks. Urgency of need sometimes prevents an activity from waiting the required length of time for reclamation of the aircraft to begin. The inventory Management Specialist at each ALC will furnish their requirements, using the latest available, which will reflect the flying hours decreased requirements computation for D041.

REPORT OF POTENTIAL MONETARY AND OTHER BENEFITS RESULTING FROM AUDIT

Recommendation Reference	Description of Benefit	Amount and/or Type of Benefit
1. and 2.	The identification of reclaimed assets and the correct entry of transactions in the supply system will allow item managers to identify additional available assets and reduce overall purchasing requirements.	Cost avoidance, one-time, System Support Stock Fund and Aircraft Procurement $2.4 million. The actual benefits should be substantially higher than $2.4 million. The Assistant Vice Chief of Staff of the Air Force will provide at detailed accounting of the savings upon completion of the reclamation project

AUDIT TEAM MEMBERS

Donald Reed, Director, Logistics Support Directorate
Thomas Gimble, Program Director
Walter Loder, Project Manager
Douglas Warish, Team Leader
Walter Barnes, Auditor
Steven Schaefer, Auditor

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(Financial Management and Comptroller)
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