

depots, show that 55 percent took no complete inventories, and 45 percent didn't even take sample inventories.

Now, does this mean that almost half of these firms didn't have any idea of what they had available—half of these depots, I should say—didn't have any idea what their inventory was, except on the basis of—

Mr. BAILEY. Senator Proxmire, they did have ideas as to what was available.

Chairman PROXMIRE. But, no accurate ideas.

LACK OF RECONCILIATION OF RECORDS WITH STOCK

Mr. BAILEY. They had inventory records. But, there was no check to see that these records were accurate, through the medium of taking an inventory of whether the goods on the shelf actually matched what the records showed to be there.

Chairman PROXMIRE. On the basis of your investigations in the past, there are great discrepancies when you don't take physical inventories.

Mr. BAILEY. There are substantial discrepancies, and they did take spot inventories under their procedures where they came across an item that the records reflected as having a balance in the warehouse. If they go to the warehouse and don't find the item on the shelf, then they will take an inventory to see if they can develop where this discrepancy arose, or they will make adjustments in the records, if they fail to find it.

Mr. NEWMAN. But you are right; there are many, many items in the warehouse where inventories haven't been taken for a long period of time.

ADJUSTMENT OF STOCK RECORDS

Chairman PROXMIRE. Not only that, but you say in your letter of November 14 (reading):

During fiscal years 1965 and 1966 stock records of selected depot inventories averaging in value about \$10.4 billion had to be adjusted up or down an average of \$2.4 billion annually, in order to bring them into agreement with the physical inventory quantities.

(App. 5, p. 513.)

In other words, they are off 25 percent.

Representative CURTIS. Fantastic.

Chairman PROXMIRE. Which, as Congressman Curtis says accurately, it is fantastic.

Mr. NEWMAN. In many cases, Mr. Chairman, it is just as Mr. Bailey stated, the only adjustments up and down are for items that get requisitions today and their records show they do have it in stock; when they go to get it, it isn't there, so they take an inventory. This may only be 50 percent, I am stretching it—say, 50 percent of the items. The other 50 percent in the warehouse that doesn't move but once a year or so, they do not take inventories on these items.

REASON FOR LACK OF INVENTORIES

Chairman PROXMIRE. Why can't the Army take these inventories? Is this so demanding on their manpower resources that it is wasteful?