

stock records show is on hand. They make the adjustment without attempting to find out why this difference.

Senator SYMINGTON. Why do they make the adjustment?

Chairman PROXMIRE. They found there was an error.

Senator SYMINGTON. What kind of an error, an error in inventory or in figures?

Mr. BAILEY. They will determine they have so much stock on hand on the basis of physical inventory. They say, "Okay, we will change our records to show this much stock on hand." But they don't go back to find out why did the records show they had this other stock on hand.

Chairman PROXMIRE. Proceed.

PREScribed PHYSICAL INVENTORIES NOT TAKEN

Mr. STAATS. One. Overall data for the period February 1965 to June 1966 submitted for the 20 Army depots show that none of the depots performed the number of regularly scheduled physical inventories or location audits required by Army regulations. In many instances, complete counts of items were omitted and, in some instances, required sample inventories were omitted.

Furthermore, five of the depots performed no location record audits. The reasons given for these failures to conduct scheduled physical inventories were (1) utilization of personnel resources for special inventories; (2) conversion to new or revised major logistical systems; and (3) the workload caused by the Southeast Asia buildup.

Chairman PROXMIRE. Mr. Morris testified this had been rectified. His testimony, or that of his assistants, was that this was during the Vietnam buildup period, that they deliberately suspended inventories, knowing they would have a tremendous demand for personnel and so on. But they have now begun taking these inventories.

Is this your understanding, also?

Mr. STAATS. I do know that on these specific cases, as I indicated earlier, when we called them to their attention, we have not had difficulty getting them to respond to them, to make corrections.

But I don't have, personally, information as to whether in this particular situation involving the 20 Army Depots, they have been corrected.

ARMY WILL NOT BE ON SCHEDULED INVENTORIES UNTIL 1969

Mr. BAILEY. We understand, Mr. Chairman, that it will take the Army until about 1969 to get back on schedule for taking physical inventories.

Chairman PROXMIRE. This should be a lesson to all of us, I take it. It is your conclusion, and certainly my conclusion, that this was a serious mistake, suspending this physical inventory. We would be much better off in supplying troops in Vietnam, not only in terms of economy, which is important at all times, but in terms of a more effective military effort, if they had the physical inventory and knew where the supplies were.

Mr. STAATS. That is right.

Chairman PROXMIRE. In terms of timing and getting what you need there at the right time, you are much better off if you know what you have and where it is.