

Chairman PROXMIRE. Would this be known by the Secretary of the Navy or the Secretary of Defense until you disclosed it on the basis of your studies?

Mr. STAATS. I could not answer that.

Mr. FASICK. Yes, sir; they would be known in the sense that there were quite a number of internal reports of the individual services, internal audits, where this was pointed out and should have come to the attention of the secretarial level in the services.

Senator SYMINGTON. I would like to ask this question: If there was no general statement of policy there would be no order. How could a man at the working level violate an order?

Mr. STAATS. What I was referring to was the general regulations to provide for the inventory and they were not taken. They were allowed to slide.

Senator SYMINGTON. Just for the record, what do you mean there was no general statement?

Mr. STAATS. There was no specific statement of policy or directive, as far as I know, to give them permission to abandon the general regulations.

Senator SYMINGTON. In other words, it was on the negative side. I understand you. Thank you.

Mr. STAATS. Yes.

Three. Available data showed that Defense Supply Agency activities had about 1.9 million active line items on hand. During fiscal years 1965 and 1966, approximately 40 and 9 percent, respectively, of the DSA active items were physically inventoried by complete or statistical sampling methods. In addition, the data indicated that the DSA supply activities made less than 50 percent of the required location audits.

DSA officials indicated that one of the reasons for the substantial decrease from 1965 to 1966 in the number of line items physically inventoried was the workload associated with increased support to Southeast Asia. They indicated also that the failure to make the majority of the location audits was due in large part to a new depot warehousing and shipping system.

GAO FINDINGS REPORTED TO SECRETARY OF DEFENSE

At the conclusion of our review, we brought our findings to the attention of the Secretary of Defense along with our proposal that the military departments and the Defense Supply Agency be directed to take the necessary steps to attain an acceptable degree of stock record accuracy for depot inventories.

GAO PROPOSED A HIGH-LEVEL STUDY GROUP TO STUDY PROBLEM

We proposed further that the Secretary of Defense establish a group, composed of representatives from the military department and the Defense Supply Agency, to study the problems of inventory control in depth with an objective of resolving the broad basic causes for these problems and to make recommendations that will correct the conditions uniformly throughout the Department of Defense.

This is the task force, Mr. Chairman, which I referred to a while ago. Defense advised us yesterday they had decided to establish it.