

SHELF-LIFE ITEMS

In the report of the Subcommittee on Economy in Government dated July 1967, it was recommended that the General Accounting Office and responsible executive agencies continue to identify short-shelf-life inventories and develop procurement and management programs to insure their maximum use. As of November 1966 the Department of Defense obtained, on a one time basis, a complete inventory of shelf-life items which showed a total inventory value of approximately \$990 million. However, approximately 70 percent or \$686 million of this amount represented recoverable items which are identified as shelf-life because a component of the item, such as a gasket, hose, etc., has a limited shelf-life. Therefore the actual Department of Defense inventory of only shelf-life items and components is significantly less than the \$990 million.

We recently inquired into the status of the new instructions issued by the Department of Defense in November 1966, and found that they will not be fully implemented before September 1968. The military departments and the Defense Supply Agency indicated to us that extensive revisions to existing directives and data systems were required.

We also found that an agreement between the Department of Defense and the General Services Administration for accomplishing an accelerated sequential screening that would make items available for utilization by other departments or agencies was not reached until October 26, 1967. It appears that 6 months to a year will elapse from the date of initial reporting of shelf-life items by the military departments and the Defense Supply Agency and their reported utilization by other agencies before sufficient data will be available to determine the effectiveness of the system.

We are currently evaluating the progress made by the General Services Administration since it established, in May 1966, procedures for the cataloging, procurement, inventory management, storage and distribution, and quality control surveillance of short-shelf-life stocks under its control. We are particularly interested in determining whether the Federal Stores Stock management system adequately reports the extent and significance of losses through deterioration of short-shelf-life stock. Indications thus far are that there may be opportunities for improvements.

We are also interested in the effectiveness of implementation of the May 1966 order at the warehouse level. We have noted some instances of noncompliance but have not yet formed any overall judgments on this matter.

INACTIVE ITEMS

We recently completed a review of low-cost items in the Department of the Navy and the Defense Supply Agency which revealed that 860,000 spare parts stocked by these two organizations had had no demand for appreciable periods of time. To the extent that these items do not warrant retention and are eliminated from the supply systems, significant savings in management and storage costs can be realized by the Government.

When we brought our findings to the attention of Department of Defense officials, they informed us that the program for the identification and review of inactive items had to be postponed because of a higher priority program governing the transfer of items from the military services to DSA management. However, they indicated the program would be reactivated early in 1968. We did find that some inactive items are currently being eliminated from the supply systems as items are screened for transfer to DSA.

We intend to maintain close surveillance over this area in order to observe the progress made by the Department of Defense in eliminating inactive items from their inventories.

We also completed recently a review and have submitted a draft report to the General Services Administration for comment, on the need for the Administration to improve its cost information system to provide information useful to determination as to the most advantageous method of supplying the requirements of Federal agencies for specific items, i.e., through the stores stock program, under a Schedule supply contract, or through decentralized purchasing, and to provide information useful in establishing optimum inventory levels and determining appropriate stock position patterns.

We have not yet received the General Services Administration's comments on our findings or on our proposals for improvement.