APPENDIX 5

REPORT TO THE CONGRESS OF THE UNITED STATES—IMPROVED INVENTORY CONTROLS NEEDED FOR THE DEPARTMENTS OF THE ARMY, NAVY, AND AIR FORCE AND THE DEFENSE SUPPLY AGENCY, DEPARTMENT OF DEFENSE BY THE COMPTROLLER GENERAL OF THE UNITED STATES

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., November 14, 1967.

B-146828.

To the President of the Senate and the Speaker of the House of Representatives:

The General Accounting Office has reviewed controls over depot inventories in the Department of Defense and found a need for substantial improvements. Our review was directed primarily toward examining into the accuracy of the inventory records for depot stocks held by the Departments of the Army, Navy, and Air Force and the Defense Supply Agency.

This report presents our conclusion that increased emphasis and attention is needed at all levels of management to improve the accuracy, and therefore the usefulness, of inventory stock records.

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.

We believe that these inaccuracies in the inventory stock records resulted from inadequate control over documentation affecting inventory records as well as over the physical assets. Such inaccuracies would, of course, adversely affect any supply system's responsiveness to requisitions for material. Only when inventory records are accurate and current can they be relied upon for determining whether requisitions can be filled or whether procurements or repair actions are necessary.

In commenting on our review, Department of Defense officials agreed, in general, with our findings and proposals for corrective actions. We were advised that each of the military services and the Defense Supply Agency had initiated specific programs to eliminate the inventory control problems discussed in this report and were installing new procedures designed to provide more accurate inventory controls. We were told that the installation of the new procedures had advanced to the point where results could be expected shortly.

We are reporting this matter to the Congress so that it may be apprised of the need for improvements in the control of depot inventories and of the actions that the Department of Defense has indicated the military services and the Defense Supply Agency have taken or planned to improve and strengthen the management controls over these inventories.

Copies of this report are being sent to the Director, Bureau of the Budget; the Secretary of Defense; the Secretaries of the Army, Navy, and Air Force; and the Director, Defense Supply Agency.

ELMER B. STAATS,
Comptroller General of the United States.

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