

Prescribed inventories not accomplished.

Army.

Navy.

Air Force.

Defense Supply Agency.

Receipt and issue documentation not adequately controlled and proper reconciliations not performed.

Physical inventory adjustments not researched.

Internal audit reports show stock record inaccuracies and related difficulties are a continuing problem.

Agency comments.

Conclusions.

Scope of Review.

APPENDIXES

- I. Principal officials of the Department of Defense and the Departments of the Army, Navy, and Air Force responsible for administration of the activities discussed in this report.
- II. Department of Defense CONUS depot inventory management data for fiscal years 1965 and 1966.
- III. Letter dated July 21, 1967, from the Deputy for Supply and Services, Office of the Assistant Secretary of Defense (Installations and Logistics), to the General Accounting Office.

REPORT ON IMPROVED INVENTORY CONTROLS NEEDED FOR THE DEPARTMENTS OF THE ARMY, NAVY, AND AIR FORCE AND THE DEFENSE SUPPLY AGENCY, DEPARTMENT OF DEFENSE

INTRODUCTION

The General Accounting Office has performed a limited review of the effectiveness of inventory controls in the Department of Defense. 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. Also, it was concerned with the degree of compliance at selected locations, with the Departments' and the Agency's prescribed policies and procedures for maintaining stock record accuracy through scheduled physical inventory programs, and with the extent to which inadequate physical inventory practices and the associated adjustment of inventory records may have contributed to any record inaccuracies at those locations.

This review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Our field work was conducted during the period June 1966 to January 1967 at selected activities of the Departments of the Army, Navy, and Air Force and the Defense Supply Agency. Additional information concerning the scope of our review is shown on page 26.

BACKGROUND

The military departments' task of supply management is to provide materiel support to their organizations at a minimum cost. So that supply economy may be achieved, no more money should be invested in inventories than is necessary for effective support. If this objective is to be attained, accurate and current records of quantities of specific items in the inventory must be available for use in determining whether user requisitions can be satisfied and whether, on the basis of requirements computations, procurement actions are necessary. This entails controlling and accounting for an enormous number of items and an even greater number of transactions which daily affect the status of items in the inventory.

The basic authority which sets forth the policy to be followed by the Department of Defense in establishing control of and accounting for its inventory is provided for under sections 2202 and 2701 of Title 10, United States Code. Through these sections the Secretary of Defense is directed to prescribe regulations which will achieve the efficient, economical, and practical operation of an integrated supply system to meet the needs of the military departments without duplicate or overlapping operations or functions and to have records of major equipment items and stored supplies of the military departments maintained on both a quantitative and a monetary basis so far as practicable.