rately portrayed the extent and result of their inventory activity. Our findings and observations are presented below by supply service.

Army

The overall data for the period February 1965 to June 1966 submitted for the 20 Army depots showed that 55 percent took no complete inventories, 45 percent took no sample inventories, and 25 percent performed no location record audits. The reasons given for these failures to conduct scheduled physical inventories were (1) utilization of total inventory resources for special inventories, (2) conversion to new or revised major logistical systems, and (3) the workload influx caused by the Southeast Asia buildup had a severe impact on the inventory programs.

Navy

Statistical data prepared by the Naval Supply Systems Command showed that 66 percent of the line items at Navy supply activities were physically inventoried in fiscal year 1965 and 88 percent in fiscal year 1966. These percentages were computed by using both special inventories and scheduled inventories and relating the total to the number of line items in the inventory. We believe that this is not a satisfactory means of measuring the effeciveness of a physical inventory program because the number of special inventories taken does not necessarily represent physical inventories of different line items. As indicated on page 9, the same line items are frequently counted many times through special inventories.

At the Navy locations included in our review, which were the two supply centers that stored the greatest number of items, we found that special inventories accounted for approximately 90 percent of the inventory effort. On the basis of their approved inventory programs, these activities were required to perform scheduled inventories annually on approximately 920,000 line items in fiscal years 1965 and 1966. However, during these fiscal years, scheduled inventories were taken on less than 6 percent of the items scheduled for physical inventory.

Air Force

Our review in the Air Force showed that the supply activities generally accomplished the prescribed physical inventories and location surveys. During fiscal years 1965 and 1966, they reported average overall stock record accuracy rates ranging from 86.7 percent to 99.7 percent.

However, our review at selected supply activities indicated that the reported high rates of stock record accuracy for certain categories of stock may have been overstated. Although the line items scheduled for regular physical inventory were selected on the basis of statistical sampling, action taken after the items were selected but before the scheduled inventories were taken raise some doubts as to the validity of the results as a basis for projecting to the universe.

For example, in August 1966 one of the supply activities conducted a statistical physical inventory of B–52 aircraft spares. The sample consisted of 75 items. No major stock variances were revealed, and an accuracy rate of 100 percent was computed for the lot. We found that 37 of the 75 sample items had been special inventoried about 1 week after the sample selection and about 2 weeks before the scheduled inventory. As a result, the stock records were adjusted for major stock variances. If these adjustments had not been processed immediately before the scheduled sample inventory, the results of the scheduled sample inventory would have reflected major stock variances for 10 of the 75 sample items.

Defense Supply Agency

Available DSA data showed that its supply 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 accomplished 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