

Agency comments

We brought our findings to the attention of the Secretary of Defense on May 3, 1967, and proposed that the military departments and the Defense Supply Agency be directed to take the necessary steps to concentrate management attention on the factors that have contributed to the present conditions and to achieve more positive enforcement of the existing policies and procedures relative to the maintenance of an acceptable degree of stock record accuracy for depot inventories.

We proposed further that the Secretary of Defense establish a group, composed of representatives from the military departments 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.

At the Secretary's request, the Deputy for Supply and Services, Office of the Assistant Secretary of Defense (Installations and Logistics), commented on our findings and proposals by letter dated July 21, 1967 (see app. III), and stated that the Department of Defense concurred, in general with our findings. He advised us that current management actions, including concentration of management attention on the factors contributing to the present conditions and increased emphasis on positive enforcement of existing policies and procedures, now under way within each of the military services and DSA are expected to effectively reduce the problems associated with maintenance of stock record accuracy for depot inventories.

The Deputy for Supply and Services commented that each of the military services and DSA had initiated specific programs to eliminate the types of inventory control problems discussed in this report and were in the process of installing new procedures which were aimed at more accurate inventory control. We were advised that the installation of the new procedures had advanced to the point where fruitful results could be anticipated within a relatively short period of time. We were advised also that the need for establishment of a special inventory study group would be reconsidered and, if necessary, organized after an evaluation of the results was obtained from the new procedures.

Conclusions

We believe that the increased emphasis which DOD has stated that the military services and DSA are placing on more positive enforcement of the existing policies and procedures for control of depot inventories should, if effectively pursued on a continuing basis, result in greater stock record accuracy and increased supply effectiveness. As a part of our continuing interest in the supply management activities of the Department of Defense, we intend to give further attention to the need for improvement in the control of depot inventories and to test the effectiveness of the new inventory programs and procedures that are currently being implemented by the military services and DSA.

On the basis of other studies we have made of inventory controls and supply system responsiveness, we believe that, in addition to the specifics cited in this report, there are certain broad basic factors which have a significant bearing on the effectiveness of inventory controls in the Department of Defense. For example, we believe that the organizational structure of the supply systems in some cases may contribute substantially to the difficulties encountered in control of inventories.

The responsibility for physical receipt, storage, and issue of stocks of the same item is frequently decentralized to several storage activities. The management and accounting responsibility for these same stocks is centralized at another supply activity which has no direct authority or control over the practices of the storage activities. Thus, it is difficult to establish responsibility for errors or loss of control because no single organization has the direct authority, responsibility, or perhaps motivation to reconcile differences and ensure closer control.

For the immediate future, we intend to concentrate our efforts on the organizational structure, alignment of responsibilities and authority, and numbers and types of personnel. We also intend to examine into the policies, procedures,