Audit Report

OFFICE OF THE INSPECTOR GENERAL

INVENTORY ACCURACY AT THE DEFENSE DEPOT, COLUMBUS, OHIO

Report No. 97-102 February 28, 1997

Department of Defense

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Acronyms

DBOF	Defense Business Operations Fund
DLA	Defense Logistics Agency

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884

February 28, 1997

MEMORANDUM FOR DIRECTOR, DEFENSE LOGISTICS AGENCY
COMMANDER, DEFENSE DEPOT, COLUMBUS, OHIO

SUBJECT: Audit Report on Inventory Accuracy at the Defense Depot, Columbus, Ohio (Report No. 97-102)

We are providing this audit report for information and use. This report is one in a series of reports dealing with inventory accounts contained in the FY 1996 Defense Business Operations Fund financial statements. Management comments on a draft of this report were considered in preparing the final report.

Comments from the Director, Defense Logistics Agency, conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, no additional comments are required.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. James Kornides, Audit Program Director, or Mr. Tim Soltis, Audit Project Manager, at (614) 751-1400. See Appendix D for the report distribution.

Robert J. Lieberman
Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. 97-102 **February 28, 1997**
(Project No. 5FJ-2018.00)

Inventory Accuracy at the Defense Depot, Columbus, Ohio

Executive Summary

Introduction. We identified issues on the accuracy of inventory reporting for materiel stored at the Defense Depot, Columbus, Ohio, during our overall audit of the inventory accounts in the FY 1996 Defense Business Operations Fund financial statements. We initiated the inventory audit to support the Chief Financial Officers Act of 1990 (Public Law 101-576, November 15, 1990) as amended by the Federal Financial Management Act of 1994 (Public Law 103-356, October 13, 1994). This report is the first in a series of reports dealing with issues related to Defense Business Operations Fund (DBOF) inventory accounts.

Besides meeting the requirements of the law, audits of inventory records are necessary because of the significance of the financial resources that DoD expends on inventory. The FY 1995 ending balance for inventory in the DBOF financial statements was about $55.2 billion. In addition, accurate inventory records are critical to readiness, sustainability, financial integrity, and cost-effective operations.

DoD storage activities, such as the Defense Depot, Columbus, Ohio, are responsible for maintaining accurate inventory records. Depot inventory records, which are maintained in the Defense Logistics Agency Distribution Standard System, constitute part of the financial information used by the Defense Logistics Agency to prepare the financial statements required by the Chief Financial Officers Act of 1990, as amended.

In December 1996, the Under Secretary of Defense (Comptroller) announced that the DBOF would be broken out into several separate working capital funds. This realignment does not affect the matters discussed in this report.

Audit Objective. The overall inventory audit objective was to determine whether the inventory accounts on the FY 1996 Defense Business Operations Fund financial statements are presented fairly in accordance with the "other comprehensive basis of accounting" described in Office of Management and Budget Bulletin No. 94-01, "Form and Content of Agency Financial Statements," November 16, 1993. For this part of the series, we determined whether the number of chemical suits recorded in the Defense Depot, Columbus, Ohio, inventory records matched physical counts of those items. The review of the management control program applicable to the overall audit objective will be discussed in a subsequent report.

Audit Results. The Defense Depot, Columbus, Ohio, did not include 696,380 chemical suits in its inventory records. The suits, located at 728 storage locations, were valued at $51 million. Additionally, the Defense Depot, Columbus, Ohio, incorrectly reported the number and the value of six types of chemical suits on record at 1,043 other storage locations. Records for these suits were misstated by a total of 1.04 million suits and $71 million. Records for four types of suits required inventory adjustments for losses, and records for two types of suits required adjustments for gains. (We did not calculate net figures for losses and gains to inventory because the

suits were different sizes and styles.) As a result, the inventory records at the Defense Depot, Columbus, Ohio, were misstated by $122 million, which materially distorted the accuracy of the $756.1 million reported for inventory by the Defense Depot, Columbus, Ohio, in the financial statements of the Defense Logistics Agency.

Summary of Recommendations. We recommend that the Commander, Defense Depot, Columbus, Ohio, Defense Logistics Agency, improve inventory procedures by researching the causes of discrepancies, processing materiel from remote locations using a redistribution order, marking storage locations with permanent identification numbers and validating the identification numbers against the storage locations listed in the inventory records, and requiring that proper stock issue procedures be followed.

Management Comments. The Defense Logistics Agency concurred with all but one recommendation. The Defense Logistics Agency agreed to research and correct the causes for the chemical suit imbalances, ensure that all warehouse locations are properly marked and accurately reflected in the inventory system, and provide employee training on proper stock issue procedures. The estimated completion date for the corrective actions is September 30, 1997. The Defense Logistics Agency did not agree with the portion of the finding calling Piketon an off-site warehouse and with the related recommendation to process materiel from the remote storage location at Piketon, Ohio, using a redistribution order. Management stated that because the storage building at Piketon, Ohio, is part of the Defense Depot, Columbus, Ohio, the use of the redistribution order would create a "ship to self" action and not cause the desired rewarehousing to occur. However, the Defense Logistics Agency plans to rewarehouse all materiel out of Piketon, Ohio, and return the storage building to the Department of Energy by May 31, 1997. All chemical suits stored at Piketon, Ohio, will be moved to the Defense Depot, Columbus, Ohio, and subsequently moved with a redistribution order to the Defense Depot, Albany, Georgia. See Part I for a summary of the management comments and Part III for the complete text of the management comments.

Audit Response. Although the Defense Logistics Agency nonconcurred with the portion of the finding referring to Piketon as an off-site warehouse and the related recommendation to process stock from Piketon, Ohio, using a redistribution order, the planned rewarehousing of materiel from Piketon resolves the finding issue and satisfies the intent of the recommendation. No further comments are required.

Table of Contents

Executive Summary i

Part I - Audit Results

Audit Background 2
Audit Objective 3
Accounting for Chemical Suits 4

Part II - Additional Information

Appendix A. Scope and Methodology
Scope 10
Methodology 10
Organizations and Individuals Visited or Contacted 10
Prior Audits and Other Reviews 11
Appendix B. Unrecorded Stock Locations 12
Appendix C. Inventory Discrepancies 13
Appendix D. Report Distribution 14

Part III - Management Comments

Defense Logistics Agency Comments 18

Part I - Audit Results

Audit Background

The Chief Financial Officers Act of 1990, as amended, requires that Defense Business Operations Fund (DBOF) financial statements be audited annually. The inventory accounts comprise some of the largest DBOF accounts. The DoD FY 1995 ending balance for DBOF inventory accounts was about $55.2 billion. This report is the first in a series of reports dealing with DBOF inventory issues.

In December 1996, the Under Secretary of Defense (Comptroller) announced that the DBOF would be broken out into several separate working capital funds. This realignment does not affect the matters discussed in this report.

Defense depots must maintain property accountability records for all materiel stored regardless of ownership. The depots are also responsible for issues and receipts and for the care and handling of materiel in storage. The Defense Depot, Columbus, Ohio, is one of the 23 Defense depots managed by the Defense Logistics Agency (DLA). As of October 7, 1996, the Defense Depot, Columbus, Ohio (the Depot), stored 268,398 items valued at $756.1 million for Defense Component owners. The depot stores 268,398 items in over 700,000 storage locations.

As part of a 1995 Base Realignment and Closure review, the Depot's mission was realigned from a depot that receives, stores, and issues active items from all of the commodity groups managed by the DLA to a storage activity of inactive and war reserve materiel. As a result of the Depot's realignment, total overall staffing levels have been reduced by 32 percent since October 1995. In the Inventory Integrity Branch, staff was reduced by 74 percent.

As part of ongoing efforts to consolidate depot operations and improve inventory accuracy, DoD developed the Distribution Standard System. When fully implemented in FY 1998, the Distribution Standard System will replace remaining Component-unique depot legacy systems and provide a perpetual inventory system to support depot operations throughout DoD.

Distribution Standard System records update the Standard Automated Material Management System used by the DLA to prepare financial statements required by the Chief Financial Officers Act of 1990. The Distribution Standard System was fielded at the Depot in May 1995. For Distribution Standard System inventory records to be complete and reliable, Depot personnel must include each physical warehouse storage location in the system and accurately maintain on-hand balances and other physical attributes of items at storage locations.

Audit Objective

The overall inventory audit objective was to determine whether the inventory accounts of the FY 1996 DBOF financial statements are presented fairly in accordance with the "other comprehensive basis of accounting" described in Office of Management and Budget Bulletin No. 94-01, "Form and Content of Agency Financial Statements," November 16, 1993. For this report, we determined whether the number of chemical suits recorded in Depot inventory records matched physical counts of those items inventoried during the audit. The review of the management control program applicable to the overall audit objective will be discussed in a subsequent report. See Part II, Appendix A, for a complete discussion of the scope, methodology, and prior audit coverage.

Accounting for Chemical Suits

The Defense Depot, Columbus, Ohio (the Depot), did not include 696,380 chemical suits in its inventory records. The suits were located at 728 storage locations and valued at $51 million. Additionally, the Depot incorrectly reported the number and value of chemical suits on record at 1,043 other storage locations. Inventory records were misstated by 1.04 million suits and $71 million. Management did not identify the causes of these discrepancies. However, we observed deficiencies in the receipt, storage, and issue of the chemical suits that may have contributed to the inventory record discrepancies, including:

o chemical suits received from an off-site warehouse not being processed using normal depot procedures for the receipt of stock,

o storage locations for chemical suits not being marked with permanent identification numbers, and,

o proper stock issue procedures not being followed.

As a result, Depot inventory records were misstated by $122 million, which materially distorted the accuracy of the $756.1 million reported for Depot inventory in the DBOF financial statements prepared by DLA.

Maintaining Accurate Inventories

Overall procedures for the receipt, storage, and issue of DoD inventories are contained in DoD Directive 4140.1, "Materiel Management Policy," January 4, 1993, and DoD Manual 4000.25-2, "Military Standard Transaction Reporting and Accounting Procedures (MILSTRAP)," May 1, 1987. DLA Manual 4140.2, "Defense Depot Transportation and Supply Procedures," volume III, March 20, 1992, provides additional inventory procedures. DoD inventory procedures require:

o receipt documents to provide the information needed to determine amounts shipped and the condition of the materiel shipped;

o all materiel receipts be stored in either a permanent or a temporary warehouse location and that the locations be processed into an appropriate stock locator system;

o stock issued on a materiel release order be selected based on the stock number, condition, location, and priority listed on the release order; and

o periodic physical inventories be taken to test the accuracy of inventory records and when inventory discrepancies exceed $16,000, research be conducted to identify the cause or causes of the discrepancies.

Inventory Accuracy

Depot inventory records did not list 728 storage locations containing 696,380 chemical suits. In addition, records for listed storage locations did not accurately reflect the quantities of the suits on hand.

Storage Locations. The Distribution Standard System records indicated that the Depot stored six types of chemical suits at 1,043 different warehouse locations. However, the same types of suits were also stored at warehouse locations not listed in the system. A wall-to-wall inventory of the suits performed at our request identified 728 additional warehouse locations storing 696,380 suits valued at $51 million that were not recorded in the Distribution Standard System. (See Appendix B for details.)

On-Hand Balances. Recorded balances at the 1,043 warehouse locations listed in Distribution Standard System contained discrepancies of $71 million. The $71 million consisted of four items that required adjustments for losses of $46.4 million and two items that required adjustments for gains of about $24.6 million. (See Appendix C for details.) DoD policy requires that each inventory discrepancy greater than $16,000 be researched. However, Depot personnel stated they had not accomplished the required research at the time of the audit because the resources were not available.

Causes of the Inaccurate Inventory of Chemical Suits

Although management could not readily identify the causes of the significant discrepancies in inventory records, we observed three deficiencies in the receipt, storage, and issue of the chemical suits that may have contributed to this condition.

Materiel Shipped from Piketon, Ohio. Materiel shipped from leased warehouse space in Piketon, Ohio, was not processed using normal depot procedures for the receipt of stock. The Depot leased additional warehouse space in Piketon, Ohio, from the Department of Energy in August 1988. Starting in October 1994, the Depot started moving items stored in Piketon to warehouses at its main facility in Columbus, Ohio, approximately 100 miles away. All materiel stored in Piketon will be issued or moved to Columbus during FY 1997.

Normally, items shipped from one storage activity to another are processed into the receiving depot records through a redistribution order. A redistribution order requires the shipping depot to count, inspect, and release items from the inventory records through a material release order. The receiving depot then must inspect and count the items shipped before updating their inventory records.

Depot personnel said that they processed shipments from Piketon using a rewarehousing action rather than a redistribution order because, even though the materiel was located in another geographic area, it was still owned by the Defense Depot, Columbus, Ohio. However, a rewarehousing action would normally be used only when stock is moved from one warehouse location to another within the same depot. A redistribution order would have been the most appropriate means to process stock shipped from Piketon into warehouses in Columbus because it provides stronger controls over its receipt.

Identification of Warehouse Locations. Storage locations at several Depot warehouses were not marked with permanent identification numbers. Because the Distribution Standard System provides a perpetual inventory balance by storage location, it is essential that all physical warehouse storage locations be identified and referenced by location. To effectively use the Distribution Standard System, all personnel responsible for pulling stock must be able to identify all physical locations in the warehouses and match them with the corresponding location reference number in the Distribution Standard System. However, when we questioned warehouse personnel about specific locations listed in the Distribution Standard System, they were unable to agree on the precise physical location represented by the system location number.

We attribute this problem to the lack of permanent location numbers or location labels at the Depot. At other Defense depots using such locator systems, we found that warehouse personnel could easily match physical locations at the warehouses with Distribution Standard System location reference numbers.

Following Procedures for Issuance of Stock. Warehouse personnel did not follow proper issue procedures when pulling items from stock to fill customer orders. For each customer order, the Distribution Standard System generates a ticket that identifies the specific location reference number for warehouse personnel to pull the stock from. However, Depot warehouse personnel were routinely pulling stock from the closest or most convenient storage location. Warehouse personnel stated that the automated system they used prior to implementation of Distribution Standard System allowed them to select the location to pull stock from and that they had continued with this practice. Not pulling stock from the storage location referenced on the ticket degrades the accuracy of Distribution Standard System records over time.

Effect on Operations

Because the number of chemical suit stocks on hand had been significantly understated, we anticipated that excess inventory had been ordered. However, our review of orders for the suits in FY 1996 showed no outstanding procurements. The chemical suits had been previously purchased as war reserve stock. However, because only recorded items are considered when the DLA makes purchase decisions, unrecorded storage locations could result in additional costs to replace material that is actually on hand.

In addition, chemical suits have a 1-year shelf life and must be inspected each year. Unrecorded balances of the suits can result in them needlessly being processed for disposal because they exceeded their shelf life.

Effect on Financial Statements

As discussed above, the Depot inventory records for the six types of chemical suits were misstated by $122 million. We attributed about $51 million of the discrepancies to the 728 unrecorded inventory locations. Management could not readily identify the causes of the significant discrepancies because required research had not been completed. However, we are providing recommendations to correct deficiencies in the receipt, storage, and issue of the chemical suits that may have contributed to inventory record discrepancies.

Actions Taken

As a result of the audit, Depot management took immediate corrective action to input the 728 unrecorded locations in Distribution Standard System. In addition, management has given special attention to chemical suit accuracy and begun taking new physical inventories of all chemical suits located at the Depot, including those stored at Piketon warehouses.

Recommendations, Management Comments, Audit Response

We recommend that the Commander, Defense Depot, Columbus, Ohio, Defense Logistics Agency, improve inventory procedures as follows:

1. Require warehouse personnel to conduct research to determine causes for the $71 million inaccuracy in Distribution Standard System records.

Management Comments. The Defense Logistics Agency concurred with the recommendation and stated that special emphasis will be given to the chemical suits to ensure that inventory records are accurate. New physical inventories have been or will be conducted on all chemical suits located at the Depot, including those stored in Piketon. Corrective actions should be completed by September 30, 1997.

2. Establish procedures that require that all stock arriving from Piketon, Ohio, be processed using a redistribution order.

Management Comments. The Defense Logistics Agency nonconcurred, stating that adequate controls can be maintained over items moved from Piketon to Columbus using proper rewarehousing procedures.

Audit Response. Management comments to the previous recommendation provide adequate assurance that the remaining items shipped from Piketon will be accurately reflected in the Depot records. All chemical suits stored at Piketon will be moved to Columbus by May 1997, and the warehouses will be returned to the Department of Energy. These actions satisfy the intent of the recommendation and resolve management disagreement with the related portion of the finding. Therefore, no further comments are required.

3. Mark each warehouse storage location by using either a permanent location identification number or storage location label. Take inventory location surveys to ensure all locations are in Distribution Standard System and that the location identification numbers in Distribution Standard System correspond to the permanent location.

Management Comments. The DLA concurred, stating that the Defense Distribution Region East is assisting the Defense Depot, Columbus, Ohio, to ensure that all warehouse locations are properly marked and accurately reflected in the Depot Standard System records. The planned completion date is September 30, 1997.

4. Establish procedures to verify that warehouse stock is issued according to DoD inventory policies.

Management Comments. The DLA concurred and stated that Depot personnel will receive the necessary training to ensure that stock is issued and accounted for according to Depot Standard System functional procedures. The planned completion date is June 30, 1997.

Part II - Additional Information

Appendix A. Scope and Methodology

Scope

As part of our DoD-wide assessment of overall accuracy of the FY 1996 DBOF inventory accounts, we reviewed 44 items at Defense Depot, Columbus, Ohio. We performed the audit work from June through August 1996 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD.

Our scope was limited in that we did not include tests of management controls. In addition, we did not evaluate the reliability of or controls over computer-processed data from the Distribution Standard System because our audit focused on a small portion of the entire System.

Methodology

We reviewed 44 items listed on the Defense Depot, Columbus, Ohio, inventory records to determine whether the reported locations and quantities matched physical counts taken at the time of our visits.

Of the 44 items reviewed, 6 types of chemical suits accounted for $122 million of the total adjustments (99.7 percent). We considered the discrepancies in the inventory accounts for the chemical suits to be a reportable condition. Therefore, we performed additional audit work and are reporting the condition separately in this report.

The results of our review of all 44 Depot items will be considered in our overall assessment of the FY 1996 Defense Business Operations Fund account balance. Our results are not projectable to the $756.1 million stored at the Depot.

Organizations and Individuals Visited or Contacted

Contacts During the Audit. We visited or contacted individuals and organizations within the DoD. Further details are available on request.

Prior Audits and Other Reviews

There have been no audits of chemical suits stored at the Defense Depot, Columbus, Ohio, within the last 5 years.

Appendix B. Unrecorded Stock Locations

Stock Number	Number of Locations	Quantity	Value
8415013275350	214	209,089	$12,754,429
8415013275352	49	40,969	2,499,109
8415011371701	29	21,023	1,673,010
8415011371703	77	81,127	6,456,087
8415011371704	122	95,427	7,594,081
8415011371705	237	248,745	19,795,127
Totals*	**728**	**696,380**	**$50,771,843**

*Inventory records at 728 storage locations at the Defense Depot, Columbus, Ohio, did not include 696,380 chemical suits valued at $50,771,843 in the Distribution Standard System.

Appendix C. Inventory Discrepancies

Stock Number	Gain/Loss	Quantity	Value
8415013275350	Loss	550,422	$33,575,742
8415013275352	Loss	84,666	5,164,626
8415011371701	Loss	21,503	1,711,208
8415011371703	Loss	75,235	5,987,201
8415011371704	Gain	36,267	2,886,127
8415011371705	Gain	272,497	21,685,311
Totals*		**1,040,590**	**$71,010,215**

*Of the six types of chemical suits inventoried at Defense Depot, Columbus, Ohio, all required inventory adjustments when compared to inventory records.

Appendix D. Report Distribution

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House Subcommittee on National Security, International Affairs, and Criminal Justice, Committee on Government Reform and Oversight
House Committee on National Security

Part III - Management Comments

Defense Logistics Agency Comments

DEFENSE LOGISTICS AGENCY
HEADQUARTERS
8725 JOHN J. KINGMAN ROAD, SUITE 2533
FT. BELVOIR, VIRGINIA 22060-6221

IN REPLY REFER TO DDAI

14 FEB 1997

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING
DEPARTMENT OF DEFENSE

SUBJECT: Draft Report, Inventory Accuracy at the Defense Depot, Columbus, Ohio (Project No. 5FJ-2018)

This is in response to your December 6, 1996 request. For any questions, call Elaine Parker, 767-6264.

1 Encl

OLIVER E. COLEMAN
Acting Chief, Internal Review Office

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Subject: DRAFT REPORT: Inventory Accuracy at the Defense Depot, Columbus, Ohio (Project No. 5FJ-2018.00)

Finding: Accounting for Chemical Suits. The Depot did not include 696,380 chemical suits in its inventory records. The suits were located at 728 storage locations and valued at $51 million. Additionally, the Depot incorrectly reported the number and value of chemical suits on record at 1,043 other storage locations. Inventory records were misstated by 1.04 million suits and $71 million. Management could not readily identify the causes of these discrepancies. However, we observed deficiencies in the receipt, storage, and issue of the chemical suits that may have contributed to the inventory record discrepancies, including:

o chemical suits received from an off-site warehouse not being processed using normal depot procedures for the receipt of stock.

o storage locations for chemical suits not being marked with permanent identification numbers, and,

o proper stock issue procedures not being followed.

As a result, Depot inventory records were misstated by $122 million, which materially distorted the accuracy of the $756.1 million reported for Depot inventory in the DBOF financial statements prepared by DLA.

DLA Comments: Partially concur. "Chemical suits received from an off-site warehouse not being processed using normal depot procedures for the receipt of stock." The Piketon site is considered an outlying "warehouse" of DDCO's, sharing the same inventory and locator record. DSS rewarehousing logic prepares a rewarehousing pick ticket and assigns a new location to the materiel. It builds a due-out and identifies the due-out quantity to the old location; likewise, it builds a due-in and identifies the due-in quantity to the new location. The operator confirms the quantity picked as well as the quantity stowed upon physical movement. DSS automatically accounts for any differences between "planned" and "actual" quantities picked or stowed. To have the ICP release a redistribution order (RDO) would translate to a shipment from "DDCO to DDCO", i.e., a "ship to self", which would not generate the desired rewarehousing actions to occur.

Internal Management Control Weakness: Concur; weakness will be reported in the DLA Annual Statement of Assurance.

Action Officer: Phyllis Campbell, DDRE-T, DSN 977-8602
Carolyn S. Farley, MMLSI, (703)767-2553
Review/Approval: Jeffrey A. Jones, Executive Director, Supply Management (MML), January 30, 1997

Coordination: Oliver E. Coleman, Acting Chief, Internal Review, DDAI, 767-6464
Oliver Coleman 2/3/97

DLA Approval:
RAY E. McCOY
Major General, USA
Principal Deputy Director

Subject: DRAFT REPORT: Inventory Accuracy at the Defense Depot, Columbus, Ohio (Project No. 5FJ-2018.00)

Recommendation No. 1.: We recommend that the Commander, Defense Depot, Columbus, Ohio, Defense Logistics Agency, improve inventory procedures. Require warehouse personnel to conduct research to determine causes for the $71 million inaccuracy in Distribution Standard System records.

DLA Comments: Concur. Causative research was conducted on discrepancies meeting the DoD Causative Research criteria. The chemical suits (NSNs) are being given special attention to ensure accurate depot and ICP records are established. New physical inventories have been/are being conducted on all chemical suits located at DDCO including the Piketon warehouses. Research of prior inventory adjustments have found the predominant causes to be:

- use of "old" materiel selection, rewarehousing, and inventory practices which were incompatible with DSS requirements, and
- loss of expertise due to BRAC realignments

DoD IG recommendations Nos. 3 and 4 address specific actions required to correct causes of inventory accuracy problems.

Disposition: Action is considered complete.

Monetary Benefits: None.

Action Officer: Phyllis Campbell, DDRE-T, DSN 977-8602
Carolyn S. Farley, MMLSI, (703)767-2553
Review/Approval: Jeffrey A. Jones, Executive Director, Supply Management (MML), January 30, 1997

Coordination: Oliver E. Coleman, Acting Chief, Internal Review Office, DDAI, 767-6464
Oliver E. Coleman 2/3/97
DLA Approval:

RAY E. McCOY
Major General, USA
Principal Deputy Director

Subject: Draft Report: Inventory Accuracy at the Defense Depot, Columbus, Ohio (Project No. 5FJ-2018.00)

Recommendation No. 2.: We recommend that the Commander, Defense Depot, Columbus, Ohio, Defense Logistics Agency, improve inventory procedures. Establish procedures that require that all stock arriving from Piketon, Ohio, be processed using a redistribution order.

DLA Comments: Nonconcur. The Piketon site is considered an outlying "warehouse" of DDCO's, sharing the same inventory and locator record. DSS rewarehousing logic prepares a rewarehousing pick ticket and assigns a new location to the materiel. It builds a due-out and identifies the due-out quantity to the old location; likewise, it builds a due-in and identifies the due-in quantity to the new location. The operator confirms the quantity picked as well as the quantity stowed upon physical movement. DSS automatically accounts for any differences between "planned" and "actual" quantities picked or stowed. To have the ICP release a redistribution order (RDO) would translate to a shipment from "DDCO to DDCO", i.e., a "ship to self", which would not generate the desired rewarehousing actions to occur.

DDCO is rewarehousing all materiel out of Piketon and we anticipate returning the building to the Department of Energy by 31 May 97. In addition, we have begun to generate RDOs for all chemical suits from DDCO to Distribution Depot Albany Georgia (DDAG) in accordance with DLA stock positioning policy. To date, three (3) NSNs have been redistributed.

Disposition: Action is considered complete.

Monetary Benefits: None.

Action Officer: Phyllis Campbell, DDRE-T, DSN 977-8602
Carolyn S. Farley, MMLSI, (703)767-2553
Review/Approval: Jeffrey A. Jones, Executive Director, Supply Management (MML), January 30, 1997

Coordination: Oliver E. Coleman, Acting Chief, Internal Review, DDAI, 767-6464
Oliver E. Coleman 2/3/97

DLA Approval:

RAY E. McCOY
Major General, USA
Principal Deputy Director

Subject: Draft Report: Inventory Accuracy at the Defense Depot, Columbus, Ohio (Project No. 5FJ-2018.00)

Recommendation No. 3.: We recommend that the Commander, Defense Depot, Columbus, Ohio, Defense Logistics Agency, improve inventory procedures. Mark each warehouse storage location label. Take inventory location surveys to ensure all locations are in Distribution Standard System and that the location identification numbers in Distribution Standard System correspond to the permanent location.

DLA Comments: Concur. DDRE has assisted DDCO in correcting the DSS "plan-o-graph" information and in providing the necessary support to ensure all locations are properly marked and accurately reflected in the DSS files. DDCO has identified a team to conduct location surveys/inventories ensuring the information is entered correctly and corresponds to the applicable DSS locations. NSNs and locations applicable to chemical suit items will be completed by March 1997. To accomplish this, and subsequent actions required to improve location/quantity integrity the DDCO team is being augmented with Military Reserve support which will be at DDCO through September 1997.

Disposition: Action is ongoing. ECD: September 30, 1997

Monetary Benefits: None.

Action Officer: Phyllis Campbell, DDRE-T, DSN 977-8602
Carolyn S. Farley, MMLSI, (703)767-2553
Review/Approval: Jeffrey A. Jones, Executive Director, Supply Management (MML), January 30, 1997

Coordination: Oliver E. Coleman, Acting Chief, Internal Review, DDAI, 767-6464
Oliver Coleman 2/3/97

DLA Approval:

RAY E. McCOY
Major General, USA
Principal Deputy Director

Subject: Draft Report: Inventory Accuracy at the Defense Depot, Columbus, Ohio (Project No. 5FJ-2018.00)

Recommendation No. 4.: We recommend that the Commander, Defense Depot, Columbus, Ohio, Defense Logistics Agency, improve inventory procedures. Establish procedures to verify that warehouse stock is issued according to DoD inventory policies.

DLA Comments: Concur. DDCO is receiving training in proper inventory and warehousing procedures to ensure stock is issued and accounted for in accordance with DSS functional procedures. The training is being conducted by experienced personnel from throughout DDRE and will be supplemented by procedural reference guides to assist DDCO as they continue to downsize in FY97. A team of subject matter experts has been established to develop procedures and systems documentation that will focus on the maintenance of DSS inventory records. The team is composed of representatives from DDRE, DDRW, and DLA Headquarters.

Disposition: Action is ongoing. ECD: June 30, 1997

Monetary Benefits: None.

Action Officer: Phyllis Campbell, DDRE-T, DSN 977-8602
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Approval: Jeffrey A. Jones, Executive Director, Supply Management (MML), January 30, 1997

Coordination: Oliver E. Coleman, Acting Chief, Internal Review, DDAI, 767-6464
Oliver Coleman 2/3/97

DLA Approval:

RAY E. McCOY
Major General, USA
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This report was prepared by the Finance and Accounting Directorate, Office of the Assistant Inspector General for Auditing, DoD.

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