April 29, 2004

Logistics

Accountability and Control of Materiel at the Marine Corps Logistics Base Albany, Georgia
(D-2004-077)

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Acronyms

ADUSD(MPP&R)	Assistant Deputy Under Secretary of Defense (Maintenance Policy, Programs, and Resources)
DLA	Defense Logistics Agency
IMM	Integrated Materiel Manager
MCLB	Marine Corps Logistics Base
NIMMS	Naval Industrial Material Management System

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202–4704

April 29, 2004

MEMORANDUM FOR ASSISTANT DEPUTY UNDER SECRETARY OF DEFENSE (MAINTENANCE POLICY, PROGRAMS, AND RESOURCES)
NAVAL INSPECTOR GENERAL

SUBJECT: Report on Accountability and Control of Materiel at the Marine Corps Logistics Base Albany, Georgia (Report No. D-2004-077)

We are providing this report for information and use. This is the eighth and final report of a series discussing accountability and control of materiel at DoD maintenance depots. The Assistant Deputy Under Secretary of Defense (Maintenance Policy, Programs, and Resources) requested that we include Albany in this series. We considered management comments on a draft of this report in preparing the final report.

Comments on the draft report 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 staff. Questions should be directed to Mr. Dennis E. Payne at (703) 604-8907 (DSN 664-8907) or Mr. Bernard M. Baranosky at (703) 604-8785 (DSN 664-8785). See Appendix C for the report distribution. The team members are listed inside the back cover.

By direction of the Deputy Inspector General for Auditing:

Shelton Young

Shelton R. Young
Director, Readiness and
Logistics Support Directorate

Office of the Inspector General of the Department of Defense

Report No. D-2004-077 **April 29, 2004**
(Project No. D2003LH-0144)

Accountability and Control of Materiel at the Marine Corps Logistics Base Albany, Georgia

Executive Summary

Who Should Read This Report and Why? DoD personnel who are involved in materiel management should read this report. The report discusses compliance with policies and procedures used to account for and control materiel at the Marine Corps Logistics Base (MCLB) Albany, Georgia.

Background. This is the eighth and final in a series of reports the Inspector General of the Department of Defense is issuing that discusses accountability and control of materiel at DoD maintenance depots. The Assistant Deputy Under Secretary of Defense (Maintenance Policy, Programs, and Resources) requested that we include Albany in this series. The Marine Corps maintenance budget for FY 2003 was about $261.3 million. The value of inventory at MCLB Albany was about $26 million, according to depot inventory records dated September 29, 2003.

Depot maintenance facilities need an effective inventory control system to ensure that an adequate supply of materiel is on hand to maintain efficient levels of operation and to meet the demands of customers. An effective system is also important to identify defective and obsolete goods; prevent loss through damage, pilferage, or waste; and ensure the accuracy of inventory records. Through inventory control, materiel not needed for current requirements at a depot can be identified and made available for redistribution to meet other known requirements.

Results. MCLB Albany maintained about $8.3 million worth of materiel that exceeded requirements. In addition, 8.5 percent of the inventory records at MCLB had errors. Materiel not properly accounted for and materiel stored for long periods of time lose their visibility and can become lost, obsolete, stolen, or unserviceable and proper management decisions on the use of that materiel can be hampered. Increased management controls over maintenance materiel will improve the accuracy of the MCLB Albany inventory, reduce excess materiel, and correct material management control weaknesses identified in this report. (See the Finding section for the detailed recommendations.)

Management Comments and Audit Response. The Deputy Assistant Secretary of the Navy (Logistics) concurred with the audit finding and recommendations. He also stated that MCLB Albany changed the parameter for determining excess materiel. Historically, items that had no demand for 1 year were considered excess. Because of the workload requirements generated by Operation Iraqi Freedom, some of those items are now needed. Therefore, MCLB Albany changed the parameter for determining excess materiel from 1 year with no demand to 3 years. Excess materiel using the revised parameter is valued at $4.08 million. We concur with the rationale for changing the parameter. However, we believe that at the cessation of hostilities in Iraq, MCLB

Albany should revert back to the 1 year parameter for determining excess materiel. Doing so would preclude the accumulation of unneeded materiel and contribute to efficient inventory management. Other actions being taken by MCLB Albany, including the implementation of enhanced management controls, are responsive to the recommendations. See the Finding section of the report for a discussion of management comments and the Management Comments section of the report for the complete text of the comments.

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Background

This is the eighth and final report in a series discussing accountability and control of materiel at DoD maintenance depots. The Assistant Deputy Under Secretary of Defense (Maintenance Policy, Programs, and Resources) (ADUSD[MPP&R]) requested us to include Marine Corps Logistics Base (MCLB) Albany in this series. The Marine Corps maintenance budget for FY 2003 was about $261.3 million.

Marine Corps Logistics Base Albany. MCLB Albany is one of two Marine Corps maintenance depots. The value of the materiel inventory at MCLB Albany was about $26 million, according to depot inventory records dated September 29, 2003. The MCLB Albany mission is to repair, rebuild, and modify all types of Marine Corps ground combat equipment, combat support equipment, and combat service support equipment. Systems that MCLB Albany supports include the amphibious assault vehicle (AAV), the light armored vehicle (LAV), the armored combat earthmover (M9 ACE), the M88 recovery vehicle, and the *Abrams* tank (M1A1).

Inventory Control. Inventory control is defined as the control of materiel by accounting and physical controls. Accounting control involves proper recording and reporting of inventories. Physical control is the incorporation of adequate safeguards for receiving, storing, handling, and issuing materiel. A physical inventory tests the accounting and physical controls by validating an item's storage location and materiel count.

Inventory control is needed to ensure that an adequate supply of materiel is on hand to maintain efficient levels of operation and to meet the demands of customers. Effective inventory control is also essential in disclosing defective and obsolete goods; preventing loss through damage, pilferage, or waste; ensuring inventory accuracy; and identifying materiel not needed for current requirements so that materiel can be made available for redistribution to meet other known requirements.

Naval Industrial Material Management System. MCLB Albany maintenance officials stated that materiel at the maintenance center is managed by the Naval Industrial Material Management System (NIMMS). NIMMS is a standardized automated inventory control system that provides information on depot materiel operations. NIMMS encompasses the requisitioning, receipt, storage, issuance, inventory, reconciliation, and inventory accounting necessary to fulfill the requirements of depot-level industrial management.

Materiel Returns Program. Materiel that is considered to be excess can be offered to the Defense Logistics Agency (DLA) for turn-in through the Materiel Returns Program. Procedures and policies for processing excess materiel through the program are defined in volume II, part 1 of DLA Manual 4140.2 chapter 40, "Materiel Returns Program," April 1, 2002. To process an item through the program, the owner of the materiel must prepare and submit a Customer Excess Report to DLA.

The DLA item manager will inform the customer whether DLA will accept the item and the amount of credit that will be given. The customer can receive full credit, partial credit, or no credit.

Objectives

Our overall audit objective was to evaluate the effectiveness of policies and procedures used to account for and control materiel at MCLB Albany. We also reviewed the management control program as it related to the overall objective. In addition to our review of materiel accountability, the ADUSD(MPP&R) requested us to review the implementation of the Lean Program at Albany. See Appendix A for a discussion of the scope and methodology and our review of the management control program. See Appendix B for prior audit coverage related to the overall objective.

Other Matters of Interest

The ADUSD(MPP&R) requested us to include MCLB Albany in this series on inventory control and to review the benefits reported by MCLB Albany that resulted from the implementation of the Lean Program. The overall objective of the Lean Program is to provide more efficient logistics support to production. That was accomplished by streamlining the flow of repair parts to the production shops, removing excess parts from the production floor, and reorganizing the shop area in the maintenance center. In addition to Lean thinking, the MCLB Albany maintenance center also implemented the Theory of Constraints initiative on the production lines. Management personnel at the MCLB Albany maintenance center provided us a briefing on the implementation and results realized from implementing the Lean Program and the Theory of Constraints initiative. Benefits that were realized by implementing them included:

- saving hundreds of labor hours associated with cable testing and repair;
- turning in excess tools, valued at over $200,000, for redistribution;
- streamlining the work process flows in the production center;
- meeting or exceeding the production schedule on all production lines that implemented the Theory of Constraints;
- decreasing the repair cycle time and work-in-process inventories by up to 50 percent; and
- decreasing production costs (the cost per vehicle to overhaul the MK-48 decreased from $152,000 in FY 2000 to $127,000 in FY 2003).

MCLB Albany provided us with an audit report that was prepared by an independent certified public accountant. The report verified the benefits reported by MCLB Albany. We met with officials of the Office of the ADUSD(MPP&R) and provided them with a copy of the audit report. The audit report satisfied their request.

Management of Materiel at the Marine Corps Logistics Base Albany

Materiel stored by MCLB Albany exceeded known requirements. Excess material accumulated at MCLB Albany because maintenance center personnel wanted to avoid the negative impact of writing off the value of excess inventory on financial statements. As a result, MCLB Albany had approximately $8.3 million worth of materiel on hand in excess of known requirements.* In addition, 8.5 percent of the inventory records at MCLB Albany had errors. Materiel not properly accounted for and materiel stored for long periods of time lose their visibility and can become lost, obsolete, stolen, or unserviceable and proper management decisions on the use of that materiel can be hampered.

Guidance on Managing Maintenance Materiel

DoD Regulation 4140.1-R, "DoD Materiel Management Regulation," May 1998, provides policies for DoD Components regarding management of materiel. The regulation states that the DoD Component that has physical custody of materiel is responsible for the care and safeguarding of the materiel and shall maintain quantitative balance records. The DoD Components are also required to conduct annual physical inventories and to take appropriate actions to ensure that actual on-hand quantity and property records agree.

DoD Manual 4000.25-2-M, "Military Standard Transaction Reporting and Accounting Procedures," September 2001, provides procedures, performance objectives, and reporting requirements for maintaining accurate records of the physical inventory, conducting physical inventories, and reconciling record discrepancies.

Marine Corps Order P4400.151B, "Intermediate-Level Supply Management Policy Manual," July 9, 1992, provides policy guidance concerning intermediate-level supply management. The Order states that assets above the authorized retention levels will be declared excess via the Materiel Returns Program to the appropriate integrated materiel manager (IMM) for disposition instructions. Assets directed for return, either creditable or noncreditable, will be returned to the IMM. Disposal is authorized when the IMM indicates the materiel is not returnable.

Marine Corps Order P4400.150E, "Consumer-Level Supply Policy Manual," June 21, 1999, provides policy for consumer-level supply activities. The Order states that consumer-level supply accounts are not authorized to retain excess materiel.

* In response to a draft of this report, management stated that MCLB Albany had changed the parameter for determining excess materiel, which decreased the amount of materiel considered to be excess (see the discussion of management comments at the end of this finding).

Excess Materiel

Materiel stored at the MCLB Albany maintenance center exceeded requirements. Inventory records at MCLB Albany showed about $26 million worth of materiel stored in 34,090 storage records. About $8.3 million (32 percent) of that materiel was considered to be in excess by MCLB Albany. The excess materiel accumulated at MCLB Albany because maintenance center personnel wanted to avoid the negative impact of writing off the value of excess inventory on financial statements.

Determining Excess Materiel. MCLB Albany considers materiel to be in excess when an item has not been issued from the warehouse to production during the previous four quarters (365 days). When materiel is determined to be in excess, its storage record is changed to store code PX in NIMMS. Using the PX code makes the materiel visible to other depots that may have a requirement for the materiel. Materiel coded PX remains on the MCLB Albany accountable records until turned in to the supply system, redistributed to another maintenance depot, or disposed of.

Some of the PX-coded materiel at MCLB Albany had been inactive for several years, with no known requirements. For example, MCLB Albany had 38 switches on hand with a unit cost of $163.68. The value of the excess inventory was $6,219.84. The IMM for the switches stated that he had not purchased the item since 1998. MCLB Albany also had some PX-coded items on hand that were still being procured by DLA. For example, MCLB Albany had six motors (National Stock Number 4320-01-137-6293), valued at $3,420.54. Motors had been purchased by the IMM as recently as September 2003. Materiel that has been inactive for extended periods and identified as excess should be either transferred to ongoing programs, if needed, or turned in for disposal.

Disposition of Excess Materiel. Excess materiel that is turned to the Materiel Returns Program can have an adverse effect on financial statements if full credit is not received for the materiel. In FY 2002, for example, MCLB Albany offered about $947,000 worth of materiel to the Materiel Returns Program and received only $82,000 credit. Therefore, MCLB Albany had a loss of $865,000, or 91 percent of the value of the materiel that was turned in. In FY 2003, to minimize the adverse effect on the financial statements, officials at MCLB Albany stated that they did not offer all of their excess materiel to the Materiel Returns Program.

Officials at MCLB Albany stated that they did not take any action to turn in or dispose of excess materiel during FY 2003 because of Operation Iraqi Freedom. The officials stated they held materiel in anticipation of the possibility that equipment which had not undergone depot maintenance for a number of years would be sent to Albany for repair and the materiel would be required to repair the equipment.

Inventory Accuracy

Accuracy of Inventory Records. The inventory records for materiel stored at MCLB Albany were inaccurate. We conducted a physical inventory of a statistically selected sample of 418 items out of a universe of 34,090. The sample was based on records in NIMMS. See Appendix A for details on the sample and universe.

We compared the results of our physical inventory with quantities in the NIMMS inventory records and found 33 errors of the inventory records in our sample size of 418. By applying statistical weighting to the sample, we project the number of errors in the universe of 34,090 records to be about 2,901 (8.5 percent). However, a significant number of those errors were in low-dollar items (items with an aggregate cost of $50 or less). If the low-dollar records are excluded from the universe, the error rate would be reduced to about 5.2 percent.

Inventory Verification. According to MCLB Albany officials, items are selected for physical inventory based on warehouse activity, such as a receipt into storage or an issue to production. As a result, items with infrequent activity, such as PX-coded stock, are not validated. Items with infrequent activity are still Government property and subject to the same controls as materiel routinely used for production. MCLB Albany should expand its physical inventories to include items with infrequent activity in order to increase accountability and reduce the vulnerability of materiel to undetected pilferage.

Potential Monetary Benefits

The audit identified excess materiel, valued at about $8.3 million, at MCLB Albany that could be turned in for up to $8.3 million in credit. The exact amount cannot be determined until MCLB Albany determines whether the excess materiel can be used to satisfy other requirements.

Conclusion

MCLB Albany did not effectively manage materiel identified as being in excess. Although MCLB Albany performs timely reviews to identify excess materiel, MCLB Albany should increase its effort to dispose of excess materiel. In addition, MCLB Albany should expand its inventory verification to include all inventory items, with emphasis on high-dollar items. Materiel not properly accounted for and materiel stored for long periods of time lose their visibility and can become lost, obsolete, stolen, or unserviceable and proper management decisions on the use of that materiel can be hampered.

Recommendations, Management Comments, and Audit Response

We recommend that the Commanding General, Marine Corps Logistics Command:

1. Identify all excess materiel and return the materiel to the supply system, as required by Marine Corps Order P4400.151B, "Intermediate-Level Supply Management Policy Manual," July 9, 1992.

Management Comments. The Deputy Assistant Secretary of the Navy (Logistics) provided comments on behalf of the Marine Corps Logistic Command and concurred with the recommendation. However, he also stated that MCLB Albany changed the parameter for determining excess materiel. Historically, materiel for which there was no demand within the previous year was considered excess. Because of the increased workload resulting from Operation Iraqi Freedom, this materiel was now being required to repair assets returned from Iraq. As a result, MCLB Albany changed the parameter for determining excess materiel from 1 year with no demand to 3 years. Excess materiel using the revised parameter is valued at $4.08 million. MCLB Albany's review of that materiel is projected to be completed by July 2004. In addition, the Deputy Assistant Secretary stated that enhanced management controls at MCLB Albany would be implemented by March 31, 2004.

Audit Response. We concur with the rationale for changing the parameter used to determine excess materiel. However, we believe that during normal operations, 3 years is too long to stock an item before determining it to be excess. Therefore, at the cessation of hostilities in Iraq, the parameter should be reverted back to 1 year. Doing so would reduce the accumulation of unneeded materiel and contribute to more efficient inventory management. We consider MCLB Albany's reported actions to be responsive.

2. Perform physical inventories of all materiel in all storage locations and adjust inventory records accordingly.

Management Comments. Management concurred and stated that the recommendation was implemented in February 2004.

Appendix A. Scope and Methodology

We performed the audit at MCLB Albany. We contacted personnel at Marine Corps headquarters and personnel involved in the maintenance operation at MCLB Albany. We reviewed DoD and Marine Corps regulations regarding policies, responsibilities, and procedures for managing maintenance materiel at Marine Corps logistics bases, dated from July 1992 through September 2001. We focused on accountability and control of repair parts and consumable materiel. Our audit focused primarily on information from inventory records dated September 29, 2003. Those records showed that MCLB Albany had inventory valued at about $26 million.

To determine whether repair parts and consumable materiel were accurately accounted for and controlled, we selected a statistical sample of inventory records for materiel on hand at MCLB Albany and conducted a physical inventory of the items in our sample. We used inventory records from NIMMS dated September 29, 2003, to identify the universe of 34,090 MCLB Albany inventory records, from which we statistically selected a sample of 418 records. We performed the physical inventory from October 2 through October 7, 2003. We attempted to reconcile discrepancies between our physical inventory and NIMMS records by reviewing all inventory transactions that occurred between September 29, 2003, and the date of our physical inventory. The audit was performed from July 2003 through January 2004 in accordance with generally accepted government auditing standards.

Use of Computer-Processed Data. We relied on computer-processed data from NIMMS for determining the accuracy of inventory records. Our comparison of NIMMS records with physical inventory counts casts doubt on the data's validity. However, the differences are not significant enough to effect the opinions, conclusions, and recommendations in this report.

Sample Results. We used a stratified random sample design based on the unit price, the extended dollar value (quantity multiplied by unit price) of the inventory record, or both. We randomly selected records from each stratum. We stratified the inventory records based on the following criteria.

- Stratum 1: Materiel with a unit price of $0 or with a negative quantity.
- Stratum 2: Materiel with a unit price greater than $2,500.
- Stratum 3: Materiel with an extended value equal to or less than $50 but greater than $0.
- Stratum 4: Materiel with an extended value equal to or less than $500 but greater than $50.
- Stratum 5: Materiel with an extended value equal to or less than $1,500 but greater than $500.

- Stratum 6: Materiel with a unit price less than or equal to $2,500 and materiel with an extended value greater than $1,500.

The following table shows the universe and sample by stratum.

Universe and Sample

	Number of Records	
Stratum	Universe	Sample
1	8	8
2	190	100
3	12,810	50
4	14,193	50
5	4,184	60
6	2,705	150
Total	**34,090**	**418**

Sample Results. Using the stratified sample design, we calculated statistical projections of the inventory count errors. We then projected overstated and understated values for the inventories.

Based on the sample results, using a 90 percent confidence level, we project that between 1,337 and 4,466 of the 34,090 records have count errors; 2,901 is the point estimate. We further project with 90 percent confidence that the value of overstated materiel is in the range of $102,197 to $448,567; $275,382 is the point estimate. We project with 90 percent confidence that the value of understated materiel is in the range of $65,833 to $290,715; $178,274 is the point estimate.

Use of Technical Assistance. Research analysts from the Quantitative Methods Division of the Office of the Inspector General of the Department of Defense provided assistance in designing the statistical sampling plan for selecting inventory records for review and in projecting the results.

General Accounting Office High-Risk Area. The General Accounting Office has identified several high-risk areas in DoD. This report provides coverage of the Defense Inventory Management high-risk area.

Management Control Program Review

DoD Directive 5010.38, “Management Control (MC) Program,” August 26, 1996, and DoD Instruction 5010.40, “Management Control (MC) Program Procedures,” August 28, 1996, require DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

Scope of the Review of the Management Control Program. At the MCLB Albany maintenance center, we reviewed the adequacy of management controls for storage and disposition of maintenance materiel. We also reviewed the adequacy of management's self-evaluation of those controls.

Adequacy of Management Controls. We identified material management control weaknesses for MCLB Albany, as defined by DoD Instruction 5010.40. MCLB Albany management controls for managing depot maintenance materiel were not adequate because managers stored excess materiel for long periods and failed to maintain accurate inventory records. Recommendation 1., if implemented, will correct the identified weaknesses and could result in materiel, valued at about $8.3 million, being available to meet other requirements. A copy of the report will be provided to the senior official responsible for management controls in the Marine Corps.

Adequacy of Management's Self-Evaluation. MCLB Albany maintenance center officials did not identify management of maintenance materiel as an assessable unit and, therefore, did not identify or report the material management control weaknesses identified by this audit.

Appendix B. Prior Coverage

During the last 5 years, the Inspector General of the Department of Defense (IG DoD) has issued seven reports that discuss management of repair parts. Unrestricted IG DoD reports can be accessed over the Internet at http://www.dodig.osd.mil/audit/reports.

IG DoD

IG DoD Report No. D-2003-130, "Accountability and Control of Materiel at the Ogden Air Logistics Center," September 5, 2003

IG DoD Report No. D-2003-064, "Accountability and Control of Materiel at the Warner Robins Air Logistics Center," March 20, 2003

IG DoD Report No. D-2003-057, "Accountability and Control of Materiel at the Naval Air Depot, Jacksonville," March 5, 2003

IG DoD Report No. D-2003-033, "Accountability and Control of Materiel at the Naval Air Depot, North Island," December 6, 2002

IG DoD Report No. D-2002-091, "Accountability and Control of Materiel at the Corpus Christi Army Depot," May 21, 2002

IG DoD Report No. D-2002-003, "Accountability and Control of Materiel at the Tobyhanna Army Depot," October 4, 2001

IG DoD Report No. D-2001-186, "Accountability and Control of Materiel at the Tobyhanna Army Depot – Stockage of Communications-Electronics Materiel," September 21, 2001

Appendix C. Report Distribution

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Department of the Navy Comments

DEPARTMENT OF THE NAVY
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RESEARCH, DEVELOPMENT AND ACQUISITION
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MAR 2 9 2004

MEMORANDUM FOR THE DoD ASSISTANT INSPECTOR GENERAL FOR AUDITING

Subj: COMMENTS ON DRAFT DEPARTMENT OF DEFENSE INSPECTOR GENERAL (DODIG) AUDIT REPORT #D-2003LH-0144, ACCOUNTABILITY AND CONTROL OF MATERIEL AT THE MARINE CORPS LOGISTICS BASE ALBANY, GEORGIA, JANUARY 30, 2004

Ref: (a) DoDIG Memo dated 30 January 2004

Encl: (1) DON Comments on Draft DoDIG Audit Report D-2003LH-0144

In response to reference (a), enclosure (1) is forwarded. Any additional questions on this response should be directed to Mr. Chuck Silva at (703) 697-4063. His e-mail address is charles.silva1@navy.mil.

Nicholas J. Kunesh
Deputy Assistant Secretary of the Navy
(Logistics)

Copy to:
Naval Inspector General (N4)
HQMC (RFR)

DEPARTMENT OF THE NAVY COMMENTS
ON
DODIG DRAFT REPORT OF 30 JANUARY 2004
ON
ACCOUNTABILITY AND CONTROL OF MATERIEL AT THE
MARINE CORPS LOGISTICS BASE ALBANY, GEORGIA
(PROJECT NO. D-2003LH-0144)

Recommendations:

1. We recommend that the Commanding General, Marine Corps Logistics Command identify all excess materiel and return the materiel to the supply system, as required by Marine Corps Order P4400.151B, "Intermediate-Level Supply Management Policy Manual," July 9, 1992."

DoN Comment:

Concur with the recommendation as written. The Maintenance Center Albany previously set its parameter for excess materiel as "items with no demand during the past year". Based on recent research and analysis, workload generated by Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF) resulted in many items being required and utilized that were previously considered excess. These items are now needed to complete high priority expedite repairs in support of OIF and OIF II.

As a result, the Maintenance Center adjusted its parameter for considering items excess as "items with no demand during the past three years." Potential excess inventory using this parameter totals $4.08 million. The Maintenance Center is reviewing this inventory to determine items that will be classified as insurance items and retained under the provision outlined in Marine Corps Order P4400.151B. The review is projected to be completed 1 July 2004 and actions will be taken at that time regarding disposal of any remaining items not identified as insurance items.

2. We recommend that the Commanding General, Marine Corps Logistics Command perform physical inventories of all materiel in all storage locations and adjust inventory records accordingly.

DoN Comment:

Concur with the recommendation as written. The Maintenance Center Albany has physical inventory procedures in place to count all items and reconcile inventory records with the exception of items considered excess. The auditors recommended that the Maintenance Center include items considered excess in physical inventories and the recommendation was implemented 2 February 2004.

Final Report Reference

General Comments:

A. Executive Summary - "Background", 1st Paragraph and Page 1, "Background", 1st Paragraph. "DoD estimated its depot maintenance expenditures to be about $16 billion for FY 2003. The Marine Corps portion of that amount was about $60 million."

DoN Comment:

Marine Corps depot maintenance funding for FY2003 was about $261.3 million. Revised

B. Page 10 - Management Control Program Review. "MCLB Albany management controls for managing depot maintenance materiel were not adequate because managers stored excess materiel for long periods and failed to maintain accurate inventory records."

DoN Comment:

The Maintenance Center Albany will develop and implement enhanced management controls over the management and control of depot maintenance material by 31 March 2004.

Team Members

The Office of the Deputy Inspector General for Auditing of the Department of Defense, Readiness and Logistics Support Directorate prepared this report. Personnel of the Office of the Inspector General of the Department of Defense who contributed to the report are listed below.

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