



UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

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LOGISTICS AND COMMUNICATIONS  
DIVISION

B-199188

JULY 15, 1980

The Honorable R. G. Freeman III  
Administrator of General Services

Dear Mr. Freeman:

Subject: [GSA's Supply Depot Operations Can Be Improved  
(LCD-80-86)]

We have completed our study of the receipt, storage, and issue of material at selected supply distribution facilities. While the logistical functions were generally well managed, we found that improvements were needed in the

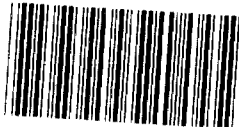
- accuracy of stock locator systems,
- management controls over shelf life material, and
- security and housekeeping controls.

The General Services Administration (GSA) stocks approximately 20,000 supply items, valued at \$217 million, at 16 wholesale depots around the country. Our work was done at the supply depots in Auburn, Washington; Franconia, Virginia; and Kansas City, Missouri. The three depots store material valued at \$52 million, or 24 percent of the total inventory.

We identified deficiencies at the Franconia and Kansas City depots, but we did not find similar deficiencies at the Auburn depot.

STOCK LOCATOR RECORDS ARE NOT ACCURATE

Locator error rates at the Franconia and Kansas City depots exceeded acceptable levels. Inaccurate locator records can cause adverse effects--if stock exists but is not on the locator records, unneeded stock may be purchased and if stock is on the locator record but does not physically exist, customer needs may not be satisfied in a timely manner.



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According to GSA instructions, a locator sampling error rate of 2 percent or less is desirable. If the error rate exceeds 5 percent, a complete wall-to-wall screening of all depot storage locations is mandatory within 30 days.

Our review of GSA monthly storage location reports for 1977 to 1979 showed that the locator error rates at the Franconia and Kansas City depots were frequently above 2 percent and, on several occasions, exceeded 5 percent. The highest error rate was 15.1 percent at the Franconia depot in February 1977. More recently, the locator error rate was 8.4 percent at the Franconia depot in July 1979 and 5.9 percent at the Kansas City depot in September 1979. Complete wall-to-wall screenings were performed, as required, at both depots.

Our tests showed similar problems. At the Franconia depot, we checked 27 locations where the stock balance was reported to have gone to zero on the previous day. We found that two locations still contained stock--one location had 79 cartons of paper cups. We also checked the location of 198 stock items stored in the depot to the locator records. We found discrepancies in 26, or 13 percent, of the items selected. We made a similar test of 400 stock items at the Kansas City depot and found discrepancies in 35, or 9 percent, of the items selected.

The locator errors fell into three categories (1) unrecorded locations, (2) prematurely exhausted locations, and (3) mismarked cartons. Unrecorded locations occur when the location of stock placed in storage is not recorded on the locator record. Prematurely exhausted locations occur when the location is deleted from the locator record yet the stock remains in the location. Mismarking occurs during repacking at the depot or during the initial marking by the vendor. Mismarking adversely affects locator accuracy because the stock number on the locator record, which is obtained from the receipt card, will not match the number on the outside cartons in the storage location.

The following are examples of these conditions. In October 1979 we found 126 cartons of reinforced filament tape valued at \$4,854 stored at a location in the Franconia depot but not recorded on the locator card. We also found that additional purchases of filament tape were made while the 126 cartons were lost from the depot locator system.

In December 1979 we identified several cartons of adhesive stored at a location in the Kansas City depot which was not recorded as an active location. The stock locator card showed that the location had been closed out over a month previously.

In October 1979 we found four cartons of lithograph roller wash with a stenciled national stock number which had not been recorded on the stock locator card at the Franconia depot. We opened one of the cartons to verify the contents and found that the individual cans contained a different stock number. The number on the cans was recorded on the locator card. The incorrect stock number on the outside of a carton can be significant because normally a stock selector would not verify a carton's contents.

Many factors can contribute to the high locator error rates.

- The receipt storage personnel fails to put the location, or puts the wrong location, on the receipt card when the material is initially placed in storage.
- Stock selectors do not make a thorough check of the storage location before telling the locator that the stock at that location is exhausted. Unit supervisors do not check the validity of the selectors' reports.
- Fork lift operators move stock to other locations to make room for new stock without notifying the locator of the change in location.
- Sections of the depot are rewarehoused but the locator records are not updated completely.
- Personnel do not receive sufficient training on the operation and use of the locator system.

SHELF LIFE MATERIAL IS  
INADEQUATELY MONITORED

We identified weaknesses in the shelf life program in such matters as marking correct expiration dates on cartons, testing material for possible extension of expiration dates, and issuing material within the shelf life period.

Shelf life material, such as paints, film, adhesives, and sealants, possess deteriorative or unstable characteristics to the degree that a storage time period must be assigned. Because of their deteriorative nature, shelf life items require special management attention to ensure that they are issued to users before their useful life expires.

The expiration date for shelf life material sometimes can be extended. The GSA program provides that shelf life material will be flagged 2 months before the expiration date and tested to see how much useful life remains. If the tests show that the useful life can be extended, the records should be updated and the new expiration dates marked on the cartons.

We found that these procedures were not always followed. At the Kansas City depot, we identified 71 supply items which had expired shelf life dates on the cartons. After we told depot personnel about the expired dates, they performed quality tests and extended the shelf life on 28 of the items. In October 1979 we noted that 20 cans of paint had an expiration date of August 1979. After we told depot personnel, they tested the paint and extended the expiration date to October 1980.

Our research showed that the shelf life on 8 of the 71 items had been extended, but the cartons had not been updated. For example, in October 1979 we observed that 123 cartons of sealing compound had been marked with an expiration date of September 1979. We checked with depot personnel and found that the shelf life had been extended to December 1979, but the cartons had not been updated.

At the Franconia and Kansas City depots, we noted other problems with shelf life material, such as:

- Newer material was issued before older material. This increases the chances of the shelf life expiring on the older material.
- Customers complained about receiving material too close to the shelf life expiration date. They were concerned that the expiration date would pass before the material could be used.

--Vendors were not timely notified of material tested and rejected by GSA during the original shelf life period. Because the shelf life had expired prior to notification, obtaining credit or replacement was much more difficult.

The above problems can be minimized through increased attention to the shelf life program. Such things as updating carton markings and testing material for possible extensions of shelf life should be routine.

SECURITY AND HOUSEKEEPING  
CONTROLS CAN BE IMPROVED

During our work at the Franconia and Kansas City depots, we noted instances where material was lost or damaged. GSA's own studies have commented on the need for better security controls.

We could not determine the amount of losses through poor security and housekeeping controls because GSA's records generally do not specifically identify these losses. We were able to ascertain, however, that the losses run into the thousands of dollars.

While checking the accuracy of stock locator records, we observed a pilferage incident at the Franconia depot. At one of the storage locations, we found a shopping bag filled with two automobile headlights, two vice grips, two wrenches, and several other tools. We pointed out the location to the depot security officer but his efforts to catch the culprit were unsuccessful. We were informed later that the bag had disappeared and no one had observed it being removed from the depot premises. The assistant depot manager told us that this type of incident may occur a couple of times a month.

On several occasions we noted that cartons in the bulk storage area had been opened and items removed. The losses probably resulted from pilferage since items are generally issued from the bin area, not the bulk area. Examples of the missing items were dishes and spray cans of paint.

We also observed that the dividing barrier between the Government Printing Office storage area and the GSA storage

area at Franconia had been torn down, thus making it easier for unauthorized entry. Also, the storage area for sensitive items was not covered and could be entered easily.

We limited our security tests because GSA also has been reviewing the adequacy of physical security at the Franconia and Kansas City depots. Past GSA reports have commented on such weaknesses as (1) personnel without identification badges in the warehouses and (2) personnel and vehicles leaving the depots without being screened.

The depots also had losses as a result of weaknesses in housekeeping practices. We observed many instances where material was improperly stacked or had been crushed, broken, or spilled. In fiscal year 1979 the Kansas City depot alone had inventory adjustments totaling \$64,000 for damaged, defective, or deteriorated material.

The nature of depot operations is such that some losses are inevitable. We believe, however, that they can be minimized through tighter security and housekeeping controls.

#### CONCLUSIONS AND RECOMMENDATIONS

This report discusses three areas where GSA can improve its management of depot operations. The weaknesses in locator accuracy and the shelf life program are a result of the failure to follow established procedures and enforce compliance thereof. We found that the established procedures generally were adequate but were not properly implemented. Accordingly, we recommend that you:

- Reemphasize to depot personnel the importance of accurate stock locator records in avoiding unnecessary procurements and in satisfying customer requests. Receipt storage personnel, stock selectors, locator clerks, and supervisors and checkers should receive periodic training on locator procedures.
- Ensure that depot management give increased attention to following established shelf life procedures. This would include updating expiration dates and testing material for possible extensions.

Because of the limited scope of our review and the ongoing in-house evaluations, we are not making any recommendations to improve security and housekeeping controls. The in-house evaluations should result in specific measures that will minimize losses due to theft and carelessness.

We discussed this report with GSA officials. They generally agreed with our findings and recommendations.

As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement of actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Director, Office of Management and Budget, and the Chairmen of the appropriate congressional committees.

Sincerely yours,

A handwritten signature in black ink, appearing to read "R. W. Gutmann". The signature is written in a cursive style with a horizontal line through the middle of the letters.

R. W. Gutmann  
Director