


GAO
 Accountability Integrity Reliability
Highlights

Highlights of [GAO-04-689](#), a report to Senate and House Committees on Armed Services and the Subcommittees on Defense, Senate and House Committees on Appropriations

Why GAO Did This Study

Since 1990, GAO has identified the Department of Defense's (DOD) inventory management as a high-risk area. Ineffective management practices—such as the use of inaccurate data, lack of inventory controls and visibility, and information system weaknesses—have contributed to high levels of inventory. DOD has reduced its inventory since 1990, from about \$100 billion to about \$67 billion as of September 30, 2002. However, at the start of Operation Enduring Freedom, about half of the inventory exceeded current operating requirements.

GAO, under its statutory authority, analyzed the extent to which inventory that exceeded current operating requirements as of September 30, 2001, was consumed through cutoff dates ranging from March through October 2003 and identified three ineffective and inefficient inventory management practices.

What GAO Recommends

GAO recommends that DOD take actions to correct inventory management practices related to the military components' use of inventory storage cost estimates, the lack of an Air Force system-wide process for correcting causes of inventory discrepancies, and the improper coding of items that the Air Force wants to retain.

In its comments, DOD generally concurred with GAO's report and recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-04-689.

To view the full product, including the scope and methodology, click on the link above. For more information, contact William M. Solis at (202) 512-8365 or solisw@gao.gov.

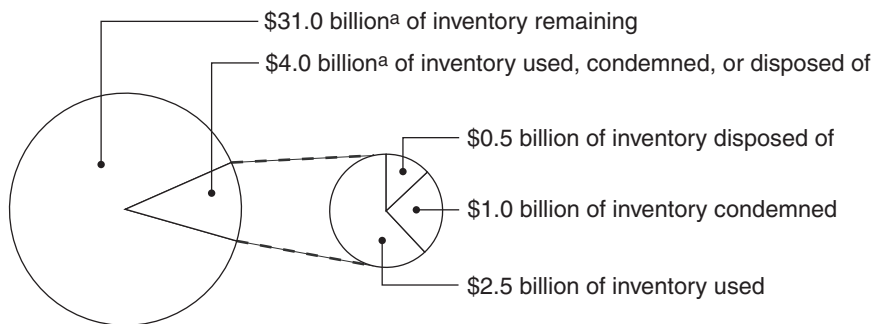
DEFENSE INVENTORY

Analysis of Consumption of Inventory Exceeding Current Operating Requirements Since September 30, 2001

What GAO Found

GAO's analysis of 1.5 million items with \$35.1 billion of inventory on hand that exceeded current operating requirements as of September 30, 2001, showed that about \$4.0 billion was consumed—\$2.5 billion was used, \$0.5 billion was disposed of, and \$1.0 billion was condemned—since the onset of Operation Enduring Freedom and through the initial phases of Operation Iraqi Freedom. GAO found that, once disposals and condemnations were accounted for, 539,000 items had inventory that was used, 18,000 had inventory gains, and 937,000 had neither inventory usage nor gains. Of the 1.5 million items, customers did not make demands for 923,000 items during the period of review.

Consumption of Inventory Exceeding September 30, 2001, Current Operating Requirements



Source: GAO analysis of DOD data.

^aInventory amounts do not total to \$35.1 billion because of rounding.

GAO also identified three ineffective and inefficient inventory management practices that may affect inventory levels, including the inventory exceeding current operating requirements. First, although Defense Logistics Agency (DLA) has begun to charge its customers for inventory storage based on the actual space occupied by items, the military components are not using the DLA storage cost data, and instead continue to use estimated storage costs in their inventory management decision-making processes. Second, the Air Force does not have a systemwide process for correcting the causes of discrepancies between the inventory for which item managers are accountable and the inventory reported by bases and repair centers. Third, Air Force item managers are not required to enter codes into the Air Force inventory system for items that are categorized as potential reutilization and/or disposal materiel, but that the Air Force wants to retain; thus, the items are not properly categorized and are at risk of disposal.