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Rear Admiral Robert A. Duin
Commander
17th Coast Guard District
P.O. Box 3-3000
Juneau, Alaska 99801

Dear Admiral Duin:

Property Management

We have completed our review at the 17th Coast Guard District's Kodiak Support Center. We found that (1) supply inventories are not properly managed and (2) because the property management system has not been fully implemented, the control of accountable property is inadequate. While Coast Guard personnel at Kodiak have made improvements in these areas during the past several years, more action is needed.

SUPPLY MANAGEMENT

Since the Support Center's Comptroller and Public Works Divisions operate the major supply activities at the center, we focused our review on these divisions. The Public Works Division is not a designated supply activity, and the materials purchased by them are considered expenditures rather than being charged to a supply account. Since it purchases large amounts of materials, holds much of this in inventory, and issues materials to various users, it is, in fact, operating a supply activity. As such, it should comply with appropriate supply procedures and regulations.

Coast Guard regulations on supply management

The Coast Guard's "Supply Policy and Management Handbook" establishes the basic policy and standards for Coast Guard supply operations. These regulations state that stock records will be maintained for all supply systems to assure efficient control of the receipt, storage, and issue of materials.

Supply management records

The Comptroller Division's supply management records were generally adequate. We reviewed the inventory and inventory records at the Serv-mart, commissary, and troop issue. Except for a few items, the

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Serv-mart inventory records were adequate. Some minor discrepancies existed in the records for commissary and troop issue inventory items.

The Public Works Division's supply management records were nonexistent or inadequate. In general, it maintains little control over material stored in its warehouses and shops. Its supply operation is centered in building 18, but it has materials stored in many locations throughout the base. A stock record card system is being developed for some of this material, but the system is far from complete. No complete stock record cards now exist for most of the Public Works inventory items.

The vehicle branch of the Public Works Division maintains stock record cards for the auto parts inventory. This system would provide adequate control of auto parts if accurately maintained. Upon testing a sample of 27 inventory items, however, we found only 33 percent of the stock records cards were accurate.

Problems caused by poor supply records

Inadequate supply records will allow improper inventory management and pilferage. When reviewing the supply system at the Support Center, we noted several supply management problems that could have been avoided had adequate records been maintained. For example, in attempting to determine the basis for a recent order of appliance parts costing about \$4,000, we found there were no inventory records for these parts. The responsible official said an order was placed when only a few items were left in the bin and the reorder quantities were based on amounts that would allow them to qualify for vendor quantity discounts. In contrast, good supply records provide the data needed for good supply management, such as reorder points and economic reorder quantities. Without this type of information, no sound basis for determining when to reorder and how much to reorder is available.

Stock records would also show when a reorder has been placed and would thus avoid duplicating orders. At the Public Works Division we found that duplicate orders were being placed, as shown below.

<u>Items</u>	<u>Stock number</u>	<u>Cost of order</u>	<u>First order</u>	<u>Second order</u>
Hand Drill	5110-00-293-3411	\$116	1/3/77	1/4/77
Brace & Bit	5110-00-293-1958	105	1/3/77	1/4/77
36 Bit Set	5133-00-595-8202	230	1/3/77	1/4/77

Examination of fiscal year 1977 procurement records showed 25 more duplicate orders for identical items and in each case the second order was placed before the first order had been received. The total value of these 25 orders was \$60,440. Stock record cards would have shown that the items were on order, and the duplicate orders could have been avoided.

Another problem that could be avoided with a good stock record system is procuring materials from vendors when the same items are available from support center inventories. For example, on September 21, 1977, the Support Center received a large shipment of ceiling tiles and put them in storage for future use. Less than 1 month later a Support Center tenant placed an order for the same type of ceiling tiles; this order was processed by the Support Center, and the tiles were obtained from the vendor rather than being issued from inventory on hand. The Public Works Division sometimes orders directly from the supplier, items that are carried by the Support Center Serv-mart.

We did not determine the extent of inventory pilferage that had occurred, but we noted that security for material inventories is not always good. The absence of records prevents identifying losses when breakins occur. While stock records alone will not prevent inventory pilferage, they would serve as a deterrent and would help to identify high-pilferage items or areas.

Supply management at the air station

We reviewed the activities of the air station and found that while it has a supply management system, the system is not always accurate. For example, 22 percent of the sample of 32 stock record cards tested were in error.

CONTROL OF ACCOUNTABLE PROPERTY

Property management records maintained by the Support Center do not comply with Coast Guard regulations; therefore, adequate control is not provided for accountable property.

Coast Guard regulations covering property management

The Coast Guard's "Personal Property Management, Utilization, and Disposal Handbook" requires that a property record and allowance list will be maintained as the record of general-purpose property. System integrity is to be assured by the accurate reporting of each transaction as it occurs and by periodic physical inventories to

reportable property records and financial accounts. Reportable general-purpose property is that which

--is leased,

--has a value of \$300 or more, or

--has been designated as reportable by appropriate authorities.

Property management records

Property management records for the Support Center do not include all reportable property. The physical inventory conducted to develop the initial property and spare parts list did not include all reportable items, and later acquisitions of reportable property often were not added to the property records. Consequently, the records are inadequate.

In 1976 the Support Center conducted a physical inventory of reportable general-purpose property. Our tests of the accuracy of the property records show that some items were not counted during this inventory. For example, at the vehicle branch of the Public Works Division, there were 10 battery chargers in inventory but only 4 were listed on the property and allowance list. In discussing this with the Coast Guard official who conducted the physical inventory, he agreed that some items were probably overlooked.

Because new acquisitions of reportable property often are not entered on the records, additional property record inaccuracies occur. The Coast Guard regulations contain specific procedures for entering new items into the property records, but these procedures are not being followed by the Support Center. For example, we selected eight recent acquisitions of reportable property items and found that none of them had been entered on the property records. When we discussed this with the responsible Coast Guard official, he said that some property managers have not been submitting the information necessary to assure that all acquisitions of reportable property are entered on the records. We reviewed the appropriate files and found that the support center had entered no new acquisitions for one division since 1976, the date of the original physical inventory.

As another example, the housing office provides ranges, refrigerators, washers, dryers, and other household furnishings to Coast Guard personnel. In 1975 the Department of Transportation auditors reported that adequate control of the warehoused inventory of housing furnishings did not exist. No inventory had been done since 1972, and no perpetual inventory records were kept. An inventory was done in 1975 but has never been updated. Furnishings are checked in and out of the warehouses, but no perpetual record is kept of what is in each warehouse.

1. The following information was obtained from the property officer:

We visited the air station and found that its property records were also incomplete. As at the Support Center, its most significant problem was that new acquisitions were not all recorded to the property list. We selected 10 recent acquisitions and found that only 1 was being added to the inventory list, with none appearing on it. The property officer said that no procedures exist to assure that new acquisitions are added to the property records, but they plan to start such a procedure soon.

SUPPORT CENTER COMMENTS

Coast Guard officials at Kodiak told us that supply and inventory control was nonexistent when the Coast Guard took over the base in 1972. They said that in the past few years the support center has begun systems to control supply inventories and an instruction has been drafted for carrying out Coast Guard regulations on accountable property control. However, inadequate staffing and facilities have delayed adopting these systems.

CONCLUSIONS

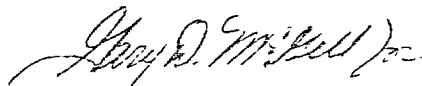
Six years after the Coast Guard assumed control of the base, (1) supply inventories are still not properly managed because stock record cards are often nonexistent or inaccurate, and (2) no adequate control of accountable property exists because the property management systems have not yet been fully implemented.

RECOMMENDATIONS

- Steps should be taken to assure proper management of all supply inventories and systems through an improved stock record system.
- Steps should be taken to assure proper control of all accountable property through adopting the Coast Guard property management system.

Although we discussed these matters with Coast Guard officials at Kodiak, we would appreciate receiving your views and being advised of the corrective actions taken or planned.

Sincerely yours,



John P. Carroll
Regional Manager