
Office of Inspector General

Audit Report

Replenishing Logistics Center Inventory

Federal Aviation Administration

Report Number FE-1998-136

Date Issued: May 15, 1998





**U.S. Department of
Transportation**

Office of the Secretary
of Transportation

Office of Inspector General

Memorandum

Subject: ACTION: Report on Replenishing Inventory,
FAA Logistics Center
Report Number. FE-1998-136

Date: May 15, 1998

From: 
John V. Meche, Deputy Assistant Inspector General
for Financial, Economic, and Information Technology

Reply to Meche:x61496
Attn of:

To: Program Director
FAA Logistics Center

BACKGROUND AND OBJECTIVE

This report presents the results of our followup on actions taken by the Federal Aviation Administration (FAA) Logistics Center to correct weaknesses identified during prior financial statement audits. The objective of this review was to determine whether the Logistics Inventory System (LIS) considered excess stock on hand before placing orders for new stock.

SCOPE AND METHODOLOGY

We judgmentally selected and reviewed 100 sample line items costing about \$1.2 million from FAA's list of excess inventory. As of March 19, 1998, the Logistics Center had about \$108 million of excess stock on hand in the reutilization and marketing system. Based on our initial findings, FAA agreed a system weakness existed within the LIS, and that corrective action was necessary. Therefore, we did not expand our review. The review was conducted in accordance with Government Auditing Standards prescribed by the Comptroller General of the United States. Our work was performed in March and April, 1998, at the Mike Monroney Aeronautical Center in Oklahoma City, Oklahoma.

RESULTS

The Logistics Center purchased replenishment inventory while excess stock was on hand. This occurred because replenishment requisitions in the LIS were not matched against excess stock in the reutilization and marketing system. The LIS was not programmed to consider excess inventory as stock on hand. For 6 of the

100 sample items reviewed, FAA spent about \$5,500 to purchase new inventory items rather than issue on hand quantities that were reported as excess. Since FAA agreed to match open requisitions against the excess stock costing \$108 million, we did not expand our review of the remaining 25,000 line items of excess inventory to determine the total amount of new purchases for items that were excess. As part of its corrective actions, we asked FAA to quantify the financial impact of the LIS system deficiency.

The LIS automatically purchased two of the six items without involvement by the Item Manager. In both instances, after receiving a request for parts not in stock, the LIS automatically generated purchase orders for materials from the Department of Defense (DOD). In the other four instances, after receiving requests for items not in stock and not available from DOD or the General Services Administration, the LIS again generated automatic purchase requests. Item Managers sent these purchase requests to the Office of Acquisition where contracting officers awarded purchase orders to commercial vendors. For example:

- On September 24, 1997, the LIS determined 157 couplers were excess, and transferred them to reutilization and marketing system. Couplers are connectors used on fiber-optics communication lines. On January 6, 1998, after receiving demands for 60 couplers, the LIS produced an automatic purchase request, and FAA bought 75 couplers from a commercial vendor. Without receiving additional demands, the LIS produced another purchase request on February 9, 1998, and FAA purchased an additional 50 couplers from the same vendor. The 125 couplers cost \$1,338. Neither the LIS nor the Item Manager queried the reutilization and marketing system to determine if the needed couplers were available from the excess stock. After we brought this to management's attention, FAA subsequently determined the 157 couplers should be returned to stock.

RECOMMENDATIONS

We recommend the Logistics Center Program Director:

1. Match current open requisitions against the excess stock list and cancel purchase orders where feasible.
2. Modify the LIS to check for excess stock before purchasing new stock.

MANAGEMENT COMMENTS

We discussed this report with the Deputy Program Director of the Logistics Center on April 16, 1998. She agreed with our recommendations.

ACTION REQUIRED

Please provide written comments within 30 days on specific actions taken or planned. We ask that FAA identify the total amount and value of inventory requisitions that were placed for items that were in excess status, the value of requisitions canceled, and the amount of excess stock returned to inventory.

We appreciate the courtesies and cooperation of FAA representatives. If you have any questions, please call me at (202) 366-1496, or David Daffron at (405) 954-3718.

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