Audit Report

INVENTORY REVALUATION FOR THE
NAVY WORKING CAPITAL FUND BY THE
NAVAL SUPPLY SYSTEMS COMMAND

Report No. D-2001-022 December 18, 2000

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Acronyms

CDB	Central Data Base
CSIS	Central Secondary Item Stratification
NAVSUP	Naval Supply Systems Command
WCF	Working Capital Fund

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884

December 18, 2000

MEMORANDUM FOR NAVAL INSPECTOR GENERAL

SUBJECT: Audit Report on Inventory Revaluation for the Navy Working Capital Fund by the Naval Supply Systems Command (Report No. D-2001-022)

We are providing this report for information and use. We considered comments from the Assistant Secretary of the Navy (Financial Management and Comptroller) in preparing the final report. We conducted the audit in response to the Chief Financial Officers Act of 1990, as amended by the Federal Financial Management Act of 1994.

Management comments by the Assistant Secretary of the Navy (Financial Management and Comptroller) conformed to the requirements of DoD Directive 7650.3. Therefore, additional comments are not required on the final report.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Marvin L. Peek at (703) 604-9587 (DSN 664-9587) (mpeek@dodig.osd.mil) or Mr. Joel K. Chaney at (216) 522-6091 ext. 235 (DSN 580-6091) (jchaney@dodig.osd.mil). See Appendix B for the report distribution. A list of the audit team members appears on the inside back cover.

Robert J. Lieberman
Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. D-2001-022 **December 18, 2000**
(Project No. D2000FC-0279.000)

Inventory Revaluation for the Navy Working Capital Fund by the Naval Supply Systems Command

Executive Summary

Introduction. This report is the first in a series of reports on our audit work for the FY 2000 Department of the Navy Working Capital Fund Financial Statements. We performed this audit in response to the Chief Financial Officers Act of 1990, as amended by the Federal Financial Management Act of 1994. For FY 1999, the Department of the Navy reported $15.2 billion in net inventory using the allowance method to approximate historic cost. In the future, DoD plans to use the historical cost method of valuing inventories for presentation on the annual financial statements after developing and implementing necessary changes in inventory accounting and management systems. However, continued improvements in valuing inventory, as discussed in this audit report, will improve the accuracy of reported inventory.

Objectives. The overall audit objectives were to determine whether the revaluation of inventory from standard price to latest acquisition cost or net realizable value was reasonable and to evaluate the processes and procedures that the Naval Supply Systems Command used to revalue inventory. We also reviewed the management control program as it related to the audit objectives. See Appendix A for a discussion of the audit process.

Results. Journal entries that the Naval Supply Systems Command recorded in the Defense Finance and Accounting Service Central Data Base to revalue inventory from standard price to latest acquisition cost or net realizable value were erroneous.

- Journal entries to reduce inventory by the estimated cost to repair unserviceable inventory were understated by $170.7 million;
- journal entries to recognize the potential loss related to excess, obsolete, and unserviceable inventory were understated by $383.0 million; and
- journal entries to reduce inventory to latest acquisition cost were understated by $0.6 million.

As a result, as of June 30, 2000, inventory was overstated by $554.3 million. See the Finding section for further details. See Appendix A for details showing that management controls were adequate as they applied to the audit objectives.

Summary of Recommendations. We recommend that the Commander, Naval Supply Systems Command, modify the formulas used in the revaluation spreadsheets to more accurately value inventory. Changes to the revaluation spreadsheets should include:

- elimination of separate calculations to revalue shipboard inventory already included in the biannual Central Secondary Item Stratification,

- separate revaluation of aviation depot-level repairable inventory that has been capitalized after preparation of the biannual Central Secondary Item Stratification, and

- modification of the revaluation spreadsheets to include the value of "Inventory In-Transit Between Storage Locations – Site Inventory" in the calculations.

Management Comments. The Navy concurred with the recommendations and stated that the Naval Supply Systems Command has discontinued separate revaluation calculations for shipboard inventory already included in the Central Secondary Item Stratification and modified inventory revaluation spreadsheets as recommended. Management comments are discussed in the Finding section, and the complete text of management comments appears in the Management Comments section of this report.

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Background

The audit was performed as part of our effort to meet the requirements of Public Law 101-576, the "Chief Financial Officers Act of 1990," November 15, 1990, as amended by Public Law 103-356, the "Federal Financial Management Act of 1994," October 13, 1994. This report is the first in a series of Inspector General, DoD, reports on the FY 2000 financial statements for the Department of the Navy (Navy) Working Capital Fund (WCF). The Navy WCF finances nine primary activity groups, which provide support to the Navy and other authorized customers. The largest activity group is the Supply Management activity group, which includes Supply Management (Navy) and Supply Management (Marine Corps). This audit did not include a review of the Marine Corps portion of reported inventory.

The Naval Supply Systems Command (NAVSUP) manages inventories for the Navy portion of the Navy WCF. The Navy Inventory Control Point and field organizations maintain logistical records supporting the general ledger account balances in the Defense Finance and Accounting Service Central Data Base (CDB). Both the logistical and financial records are maintained at standard price. Each month, NAVSUP computes and records journal entries in the CDB to revalue inventory from standard price to latest acquisition cost; to reduce the value of unserviceable inventory by the estimated cost to repair the inventory; and to revalue potential excess, obsolete, and unserviceable inventory to net realizable value. The Navy reported $15.2 billion in net inventory on the FY 1999 financial statements for the Navy WCF. As of June 30, 2000, NAVSUP recorded journal entries in the CDB that revalued inventory from $32.3 billion at standard price to $17.9 billion at latest acquisition cost or net realizable value.

Objectives

The overall audit objectives were to determine whether the revaluation of inventory from standard price to latest acquisition cost or net realizable value was reasonable and to evaluate the processes and procedures that NAVSUP used to revalue inventory. We also reviewed the management control program as it related to the audit objectives. Appendix A discusses the audit scope and methodology and our review of the management control program.

Inventory Revaluation

NAVSUP erroneously calculated supporting journal entries in the CDB that the Defense Finance and Accounting Service used to revalue inventory from standard price to latest acquisition cost or net realizable value. The calculations were erroneous because NAVSUP did not modify formulas used in the revaluation spreadsheets to accurately value the inventory on supply and combatant ships (shipboard inventories). In addition, the calculations were erroneous because NAVSUP did not include "Inventory In-Transit Between Storage Locations – Site Inventory" in the financial values entered in the revaluation spreadsheets. Journal entries to reduce inventory were understated as follows.

- Journal entries to reduce inventory by the estimated cost to repair unserviceable inventory were understated by $170.7 million;
- journal entries to recognize the potential loss related to excess, obsolete, and unserviceable inventory were understated by $383.0 million; and
- journal entries to reduce inventory to latest acquisition cost were understated by $0.6 million.

As a result, as of June 30, 2000, inventory was overstated by $554.3 million.

Policy for Valuation of Inventory

Federal Government Accounting Policy. Statement of Federal Financial Accounting Standards No. 3, "Accounting for Inventory and Related Property," October 27, 1993, established the policy on inventory valuation for Federal Government entities. Accounting Standard No. 3 states that inventory should be valued at latest acquisition cost or historical cost, except for excess, obsolete, and unserviceable inventory, which should be valued at net realizable value, and unserviceable inventory held for repair, which should be valued at the net estimated cost of repair. Accounting Standard No. 3 provides two methods for valuing inventory held for repair: the allowance method and the direct method. The Navy WCF uses the allowance method. Accounting Standard No. 3 states the following:

> Under the allowance method, inventory held for repair shall be valued at the same value as a serviceable item, however, an allowance for repairs contra-asset account shall be established. The annual credits required to bring the repair allowance to the current estimated cost of repairs shall be recognized as current period operating expenses. As the repairs are made the cost of repairs shall be charged (debited) to the allowance for repairs account.

NAVSUP Revaluation Process

Revaluation spreadsheets were originally designed by the Under Secretary of Defense (Comptroller), the Defense Finance and Accounting Service, and NAVSUP. Using those spreadsheets, NAVSUP calculated inventory values as of June 30, 2000, and processed journal entries to revalue inventory shown in the CDB. The revaluation included the following series of journal entries to reduce inventory from $32.3 billion to $17.9 billion:

- reducing the value of inventory from standard price to latest acquisition cost, which removed of the surcharge included in the standard price ($9.8 billion);
- reducing the value of unserviceable inventory held for repair by the estimated cost of repair ($2.0 billion); and
- reducing the value of excess, obsolete, and unserviceable inventory to its net realizable value ($2.6 billion).

Central Secondary Item Stratification. The Central Secondary Item Stratification (CSIS) process uniformly calculates inventory requirements and associated asset status for individual secondary items and generates summaries of essential information to provide the foundation for developing secondary item procurement and repair budgets and the Supply Systems Inventory Report provided annually to Congress. The CSIS is performed as of March 31 and September 30 of each year. The March 31 CSIS results were not available until June because the CSIS process is complex and time-consuming. The March 31, 2000, CSIS results are used to revalue inventory at the end of each month from June through November 2000.

Logistical Information Used in the Revaluation Process. NAVSUP personnel extracted logistical information from the March 31, 2000, CSIS and input the information in the revaluation spreadsheets. The CSIS categorized inventory as serviceable or unserviceable and further categorized inventory as approved force acquisition objective stock, war reserve material, economic retention stock, contingency retention stock, potential excess stock, and disposable excess stock. The value of inventory in each category was used to develop ratios that were applied to the recorded value of inventory as of June 30, 2000.

Calculations to Revalue Inventory. NAVSUP personnel compiled the total value for inventory of $32.3 billion, at standard price as of June 30, 2000, from the CDB general ledger account balances. In adjusting that information, NAVSUP personnel made separate calculations to revalue non-shipboard inventory and shipboard inventory to approximate latest acquisition cost or net realizable value.

Non-Shipboard Inventory. The revaluation spreadsheets applied the ratios developed from the CSIS to the inventory value shown in the CDB as of June 30, 2000, to estimate the value of inventory in each of the CSIS inventory categories. The spreadsheets calculated the adjustment to reduce inventory from standard price to latest acquisition cost by removing the surcharge included in

the standard price. The spreadsheets calculated the estimated cost to repair unserviceable inventory by applying the repair cost percentage developed in the CSIS to the unserviceable inventory categories. Finally, the spreadsheets calculated the potential loss on excess, obsolete, and unserviceable inventory by calculating the difference between inventory at latest acquisition cost and net realizable value of potential excess and disposable excess stock.

Shipboard Inventory. When the revaluation spreadsheets were originally designed, shipboard inventory was not included in the CSIS. At that time, NAVSUP and the Navy Inventory Control Point did not have sufficient visibility of the inventory on ships to perform the necessary analysis to accurately categorize that inventory. To overcome that limitation, the revaluation spreadsheets made separate calculations for shipboard inventory. The revaluation spreadsheets accumulated the value of shipboard inventory and calculated the adjustment to reduce inventory from standard price to latest acquisition cost by removing the surcharge included in the standard price. NAVSUP did not make calculations for the estimated cost to repair the shipboard inventory and the potential loss related to excess shipboard inventory because shipboard inventory was generally in serviceable condition and held for current requirements.

Revaluation of Shipboard Inventory

NAVSUP did not modify formulas used in the June 30, 2000, revaluation spreadsheets to recognize changes that occurred in the CSIS process and the capitalization of aviation depot-level repairable inventory. Failure to modify the formulas caused inventory to be overstated by $553.2 million. The overstatement occurred because journal voucher adjustments to reduce the estimated cost to repair unserviceable inventory were understated by a net $170.7 million. Other journal vouchers for shipboard inventory also understated the potential loss on excess, obsolete, and unserviceable inventory by $382.5 million. See the table in this finding for a summary of the understatements in journal entries for shipboard inventory.

CSIS Process Changes. As a result of changes to logistics systems and the CSIS process, NAVSUP and the Navy Inventory Control Point have visibility of shipboard inventory, which they included in the March 31, 2000, CSIS. Accordingly, the shipboard inventory recorded in the CDB accounting records as of March 31, 2000, was comparable to the shipboard inventory in the CSIS as of March 31, 2000. The ratios developed from the CSIS included the shipboard inventory. Therefore, NAVSUP no longer needed calculations to separately revalue shipboard inventory. The use of separate calculations to revalue shipboard inventory that was included in the March 31, 2000, CSIS caused the estimated cost to repair material and the potential loss on excess, obsolete, and unserviceable inventory to be overstated by $234.0 million and $464.5 million, respectively.

Capitalization of Aviation Depot-Level Repairable Inventory. NAVSUP did not modify procedures for compiling financial information on $842.3 million in shipboard inventories of aviation depot-level repairable inventory that was

capitalized* in the Navy WCF after March 31, 2000. Separate calculations to revalue shipboard inventory that was already included in the CSIS were not necessary. However, NAVSUP personnel needed to make separate calculations for inventory recorded in the CDB that was not included in the CSIS. Failure to make separate calculations caused the estimated cost to repair inventory and the potential loss on excess, obsolete, and unserviceable inventory to be understated by $63.3 million and $82.0 million, respectively.

NAVSUP needed to perform separate calculations to reduce the value of the inventory capitalized between March 31, 2000, and June 30, 2000, from standard price to the latest acquisition cost. Because the shipboard inventory was in serviceable condition and held for current requirements, calculations of the estimated cost to repair and potential excess were not needed. The separate calculations for aviation depot-level repairable inventory would continue to be necessary until all aviation depot-level repairable inventory is capitalized into the Navy WCF.

In-Transit Site Inventory

In extracting general ledger account balances from the CDB as of June 30, 2000, for the revaluation of inventory, NAVSUP did not include the $2.9 million in general ledger account 152127, "Inventory In-Transit Between Storage Locations – Site Inventory." General ledger account 152127 represents inventory on-hand at the storage activity that is being moved from one storage location to another. Only the Navy Fleet and Industrial Supply Centers use the general ledger account. The Fleet and Industrial Supply Centers account for inventory in the Uniform Automated Data Processing System and report summary financial information to the CDB. The omission of the account from the inventory revaluation calculations caused NAVSUP to understate its adjustments to inventory by $1.1 million because adjustments to reduce inventory to latest acquisition cost were understated by $0.6 million, and adjustments to the potential loss on excess, obsolete, and unserviceable inventory were understated by $0.5 million.

Summary

The NAVSUP journal entries in the CDB, totaling $14.4 billion, to reduce the value of inventory from standard price to latest acquisition cost or net realizable value were understated by $554.3 million as identified in the following table. As a result, inventory was overstated by $554.3 million as of June 30, 2000.

*The "capitalization" process transferred inventory to the Navy WCF that was once part of the Navy General Fund. The Navy is nearing completion of the process for aviation depot-level repairable inventory in the Navy WCF. When inventory is capitalized in the Navy WCF, it is recorded in the CDB at standard price.

Understatement of Journal Entries to Revalue Inventory
(dollars in millions)

Adjustments Needed for	Estimated Cost to Repair	Loss on Excess, Obsolete, and Unserviceable	Surcharge Reduction	Total Adjustment
CSIS process changes	$(234.0)	$(464.5)	0	$(698.5)
Inventory capitalization	63.3	82.0	0	145.3
Shipboard inventory	**(170.7)**	**(382.5)**	**0**	**(553.2)**
In-transit site inventory	0	(0.5)	(0.6)	(1.1)
Total	**$(170.7)**	**$(383.0)**	**$(0.6)**	**$(554.3)**

The Under Secretary of Defense (Comptroller) planned to move toward the use of the historical cost method for the financial presentation of inventory in the future. However, DoD would not be able to develop or implement the necessary changes in accounting and financial management of inventory for several years. The recommendations in the audit report, if implemented, in adjusting entries to the CDB discussed in this audit report would improve the accuracy of reported inventory for FY 2000. The changes are necessary whether or not the Navy uses the historical cost method.

Actions Initiated by the Naval Supply Systems Command

We discussed the deficiencies with the NAVSUP personnel during the course of the audit. NAVSUP personnel agreed with our conclusions and initiated action to modify calculations for shipboard inventory in revaluation spreadsheets. The modification will limit calculations for shipboard inventory to inventory capitalized after the latest CSIS. In addition, NAVSUP is evaluating the completeness of the general ledger accounts extracted from the CDB and compiled as inventory in the revaluation spreadsheets.

Recommendations and Management Comments

We recommend that the Commander, Naval Supply Systems Command, modify the calculation in the inventory revaluation spreadsheets to:

1. Discontinue making separate calculations to revalue shipboard inventory from standard price to latest acquisition cost for inventory that is included in the biannual Central Secondary Item Stratification.

2. Separately revalue aviation depot-level repairable inventory that has been capitalized in the Central Data Base after preparation of the biannual Central Secondary Item Stratification until all aviation depot-level repairable inventory is fully capitalized.

3. Include the value of general ledger account 152127, "Inventory In-Transit Between Storage Locations – Site Inventory," in inventory revaluation calculations.

Management Comments. The Assistant Secretary of the Navy (Financial Management and Comptroller) concurred, stating that the Naval Supply Systems Command has discontinued separate revaluation calculations for shipboard inventory already included in the semiannual Central Secondary Item Stratification. Also, the Naval Supply Systems Command modified calculations in the July 2000 inventory revaluation spreadsheets to revalue only aviation depot-level repairable inventory as we recommended. The Naval Supply Systems Command is reviewing the completeness of general ledger accounts comprising on-hand and in-transit inventory on the revaluation spreadsheets; general ledger account changes, including the addition of account 152127, will be made to the FY 2001 revaluation spreadsheets.

Appendix A. Audit Process

Scope

Work Performed. During this part of our audit of the FY 2000 Navy WCF financial statements, we evaluated the processes and formulas that the NAVSUP used to calculate information for journal vouchers that are used to revalue inventory from standard price to latest acquisition cost or net realizable value. We conducted separate audit work as of June 30, 2000, on the revaluation of inventory because prior audit work had rated inventory as a high-risk area for misstatement of the financial statements. As of June 30, 2000, NAVSUP personnel recorded journal entries in the CDB that revalued inventories from $32.3 billion at standard price to $17.9 billion at latest acquisition cost or net realizable value.

DoD-Wide Corporate-Level Government Performance and Results Act Coverage. In response to the Government Performance and Results Act, the Secretary of Defense annually establishes DoD-wide corporate-level goals, subordinate performance goals, and performance measures. This report pertains to achievement of the following goal, subordinate performance goal, and performance measure.

> **FY 2001 DoD Corporate-Level Goal 2:** Prepare now for an uncertain future by pursuing a focused modernization effort that maintains U.S. qualitative superiority in key warfighting capabilities. Transform the force by exploiting the Revolution in Military Affairs, and reengineer the Department to achieve a 21st century infrastructure. **(01-DoD-2)**
>
> **FY 2001 Subordinate Performance Goal 2.5:** Improve DoD financial and information management. **(01-DoD-2.5)**
>
> **FY 2001 Performance Measure 2.5.2:** Achieve unqualified opinions on financial statements. **(01-DoD-2.5.2)**

DoD Functional Area Reform Goals. Most major DoD functional areas have also established performance improvement reform objectives and goals. This report pertains to achievement of the following functional area objectives and goals.

> **Financial Management Area. Objective:** Strengthen internal controls. **Goal:** Improve compliance with the Federal Managers' Financial Integrity Act. **(FM-5.3)**

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 Financial Management high-risk area.

Methodology

Our review covered the processes and formulas that the NAVSUP used to calculate journal entries to revalue inventory from standard price to latest acquisition cost or net realizable value. The NAVSUP entered logistics data from the March 31, 2000, CSIS and financial data from the CDB into spreadsheets to calculate information used in adjustments recorded in the CDB to revalue inventory from standard price to latest acquisition cost or net realizable value. We computed the magnitude of errors in the journal entries by inserting the corrected values into the spreadsheets that NAVSUP personnel used.

Computer-Processed Data. Using the Uniform Inventory Control Point system, NAVSUP produced CSIS reports showing the stratification of Navy WCF inventory into different categories. We did not evaluate the stratification process, nor did we evaluate the general or application controls over the Uniform Inventory Control Point system. We concluded that the data were sufficiently reliable to meet the audit objective. Not evaluating the controls did not affect the results of the audit because our conclusions were based on the difference in calculations to modify inventory.

Audit Type, Period, and Standards. We performed this financial related audit from June through August 2000, in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD, subject to the limitations discussed in this appendix. We included tests of management controls considered necessary.

Contacts During the Audit. We visited or contacted individuals and organizations in DoD. Further details are available on request.

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, requires 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 management controls.

Scope of Review of the Management Control Program. We reviewed the adequacy of the NAVSUP management controls over the revaluation of inventory. Because we did not identify a material weakness, we did not assess management's self-evaluation of those controls.

Adequacy of Management Controls. NAVSUP management controls over the revaluation of inventory were adequate in that we identified no material management control weaknesses. The problems identified in this report

represent methodologies rather than management control problems. The recommendations provide the Navy with the correct methodologies needed to accurately revalue shipboard inventories.

Prior Coverage

The General Accounting Office and the Inspector General, DoD, have conducted multiple reviews related to financial statement issues. General Accounting Office reports can be accessed on the Internet at http://www.gao.gov. Inspector General, DoD, reports can be accessed on the Internet at http://www.dodig.osd.mil/audit/reports.

Appendix B. Report Distribution

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Department of the Navy Comments

DEPARTMENT OF THE NAVY
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(FINANCIAL MANAGEMENT AND COMPTROLLER)
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WASHINGTON, D.C. 20350-1000

DEC 11 2000

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

Subj: DRAFT AUDIT REPORT ON INVENTORY REVALUATION FOR THE NAVY WORKING CAPITAL FUND BY THE NAVAL SUPPLY SYSTEMS COMMAND (PROJECT NO. D2000FC-0279.000)

Ref: (a) DODIG memo of 25 Sep 00

Encl: (1) DON Comments on DODIG Draft Audit Report

By reference (a), you requested comments regarding the subject draft report. Comments are provided in enclosure (1).

The point of contact is Mr. Ed Johnson at (202) 685-6703.

Gladys J. Commons

GLADYS J. COMMONS
Principal Deputy
Assistant Secretary of the Navy
(Financial Management and Comptroller)

Copy to:
NAVINSGEN
COMNAVSUPSYSCOM

DEPARTMENT OF THE NAVY COMMENTS
ON
DODIG DRAFT AUDIT REPORT OF 25 SEPTEMBER 2000
"INVENTORY REVALUATION FOR THE NAVY WORKING CAPITAL FUND
BY THE NAVAL SUPPLY SYSTEMS COMMAND"
(Project No. D2000FC-0279.000)

Finding: INVENTORY REVALUATION.

Recommendation for Corrective Action

1. We recommend the Commander, Naval Supply Systems Command (NAVSUPSYSCOM), modify the calculation in the inventory revaluation spreadsheets to discontinue making separate calculations to revalue shipboard inventory from standard price to latest acquisition cost for inventory that is included in the biannual Central Secondary Item Stratification.

Department of the Navy Comment

Concur. Beginning with the revaluation of the July 2000 inventory, NAVSUPSYSCOM discontinued separate revaluation calculations for shipboard inventory included in the semiannual Central Secondary Item Stratification. Action is considered complete.

Recommendation for Corrective Action

2. We recommend the Commander, NAVSUPSYSCOM, modify the calculation in the inventory revaluation spreadsheets to separately revalue aviation depot-level repairable inventory that has been capitalized in the Central Data Base after preparation of the biannual Central Secondary Item Stratification until all aviation depot-level repairable inventory is fully capitalized.

Department of the Navy Comment

Concur. NAVSUPSYSCOM modified calculations in the July 2000 inventory revaluation spreadsheets to revalue only aviation depot-level repairable inventory not capitalized in the latest (March 2000) Central Secondary Item Stratification. NAVSUPSYSCOM will modify the calculations each time new semiannual stratification data is entered into the spreadsheets. This process will ensure that only inventory not capitalized in the stratification is revalued. Action is considered complete.

Recommendation for Corrective Action

3. We recommend the Commander, NAVSUPSYSCOM, modify the calculation in the inventory revaluation spreadsheets to Include the value of general ledger account 152127, "Inventory In-Transit Between Storage Locations - Site Inventory," in inventory revaluation calculations.

Department of the Navy Comment

Concur. NAVSUPSYSCOM is reviewing the completeness of the general ledger accounts comprising on-hand and in-transit inventory in the revaluation spreadsheets. General ledger account changes, including addition of account 152127, will be made to the FY 2001 revaluation spreadsheets. Estimated completion date for this action 28 February 2001.

Audit Team Members

The Finance and Accounting Directorate, Office of the Assistant Inspector General for Auditing, DoD, prepared this report. Personnel of the Office of the Inspector, DoD, who contributed to the report are listed below.

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