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BASE MAINTENANCE DEPARTMENT  
Marine Corps Base  
Camp Lejeune, North Carolina 28542

MAIN/RES/dy  
7000  
10 Mar 1978

From: Base Maintenance Officer  
To: Assistant Chief of Staff, Comptroller  
Subj: Audit Report C42837 - Base Maintenance  
Ref: (a) AC/S Comptroller ltr COMP/AKM/dh 7510 dtd 14 Feb 78  
Encl: (1) Command Position Statements

1. In accordance with reference (a), Command Position Statements are submitted as enclosure (1).

C. D. WOOD

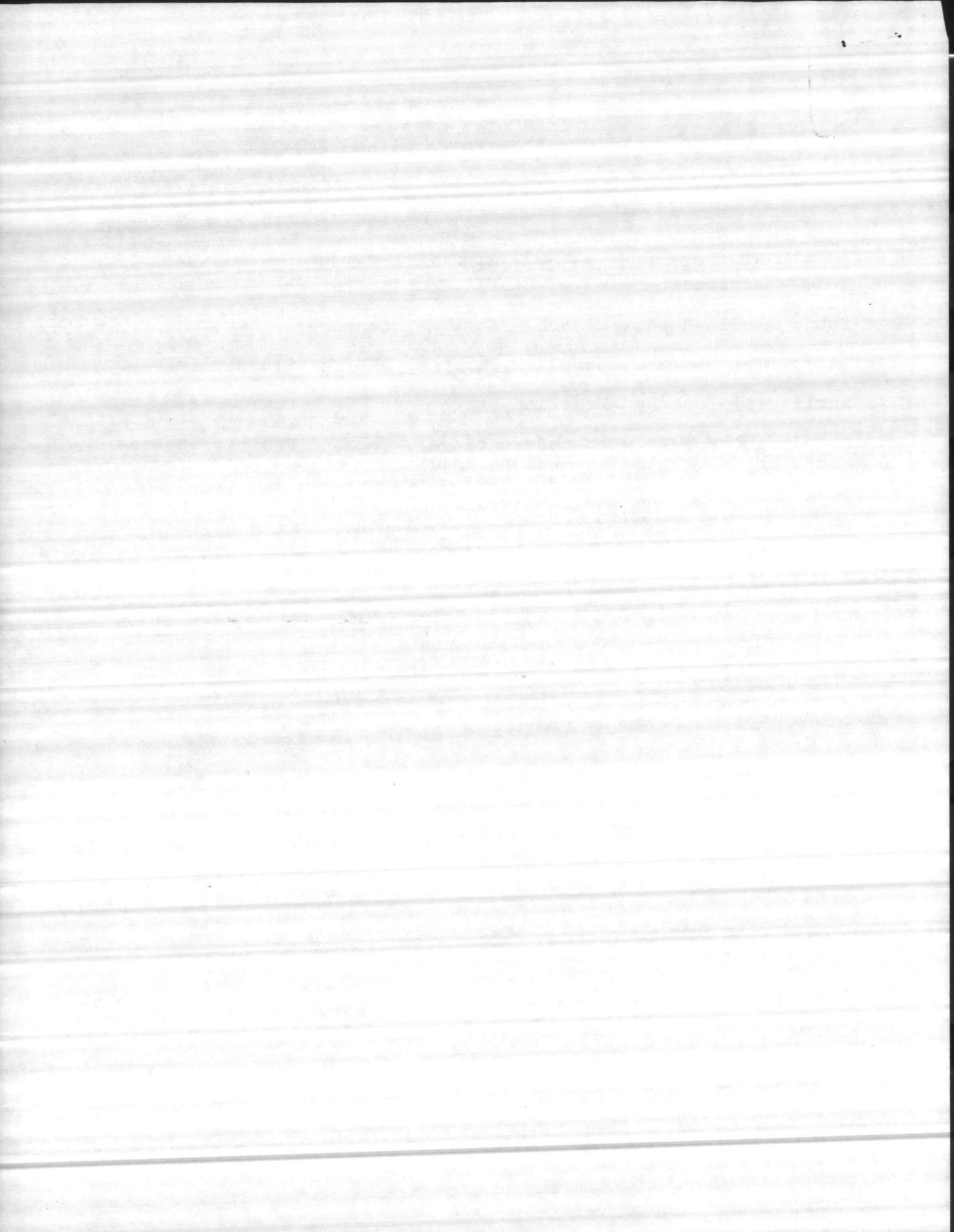
MEMO:

6 Apr 78

PLR FORGOTTEN MR NEWBURN, AUDIT ITEMS CHANGED AS INDICATED.

RES

ENCLOSURE (



AUDIT REPORT # C42837

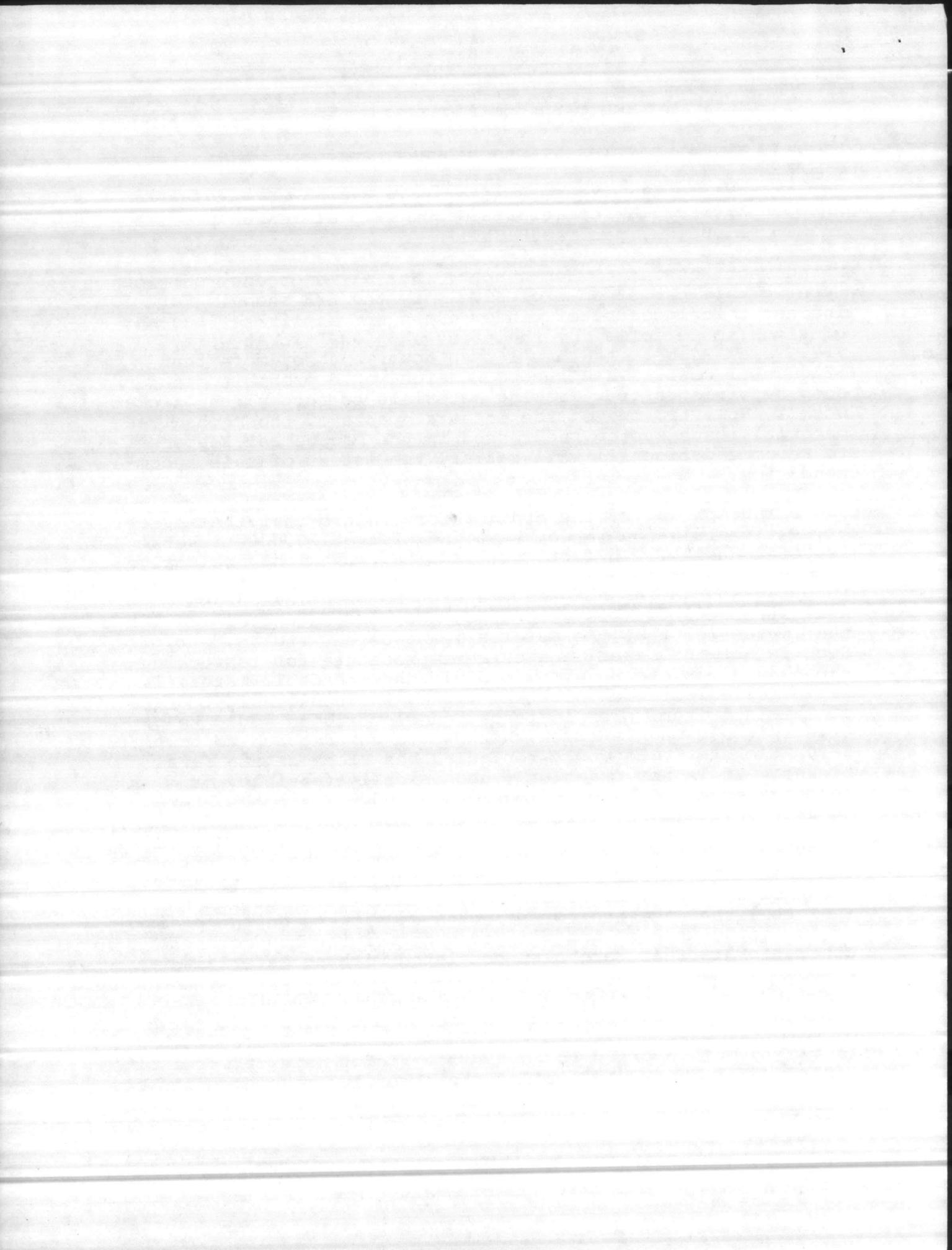
BASE MAINTENANCE DEPARTMENT

Recommendation #1: MARCORB allow only emergency service shop supervisors order material from shop stores as provided in MCO P11000.7A, par. 4080.3a.

Management Response: Non-concur. Not all emergency/service type work is performed exclusively by the E/S shops. For instance, replacement of window glass and repair/replacement of signs is performed by the paint shop as "ticket work," i.e., small jobs less than 16 man-hours and not more than \$200 total cost. This recommendation would prohibit other shop supervisors from drawing materials to accomplish "ticket work." However, one of the integral parts of the mechanized material issue system, addressed in the Management Response to Recommendation #2, will satisfy the intent of this recommendation.

Paragraph (a) of the audit report infers that the review of 94 tickets was a random sampling of the 120,000 tickets issued annually. In fact, the sampling was highly selective involving only tickets with multiple issues. The findings in paragraph (a) do not state where the materials drawn against the 61 tickets were used, thus indicating or leaving the impression that the material was wasted, stolen, etc. Such is not the case. The current procedure for restocking shop and truck stocks of expendable/nonexpendable materials is to replenish stock with the ticket which necessitated use of the last item. For instance, an electrician would keep 8-10 switches on his truck which would be adequate to complete 8-10 "tickets." He would replenish his stock on the final ticket. It is not practical, economically feasible, or reasonable to draw each switch as needed. Since the overwhelming majority of "ticket" work is charged to the Emergency/Service standing job order number, the charge for replenishing stock would be appropriately lodged against the E/S JON. The fact that excess material was drawn against 61 tickets does not indicate misuse or waste of materials but rather indicates that the auditor selected 94 tickets on the basis of "multiple issues" and did not consider the hundreds of other tickets that were also completed with no material issues.

A summary review of tickets shows that \$1,250,000 worth of material was used to complete approximately 120,000 tickets. This equates to an average ticket material cost of \$10.41 per ticket. A detailed review of 100 completed tickets randomly selected from the facility history file revealed the following:

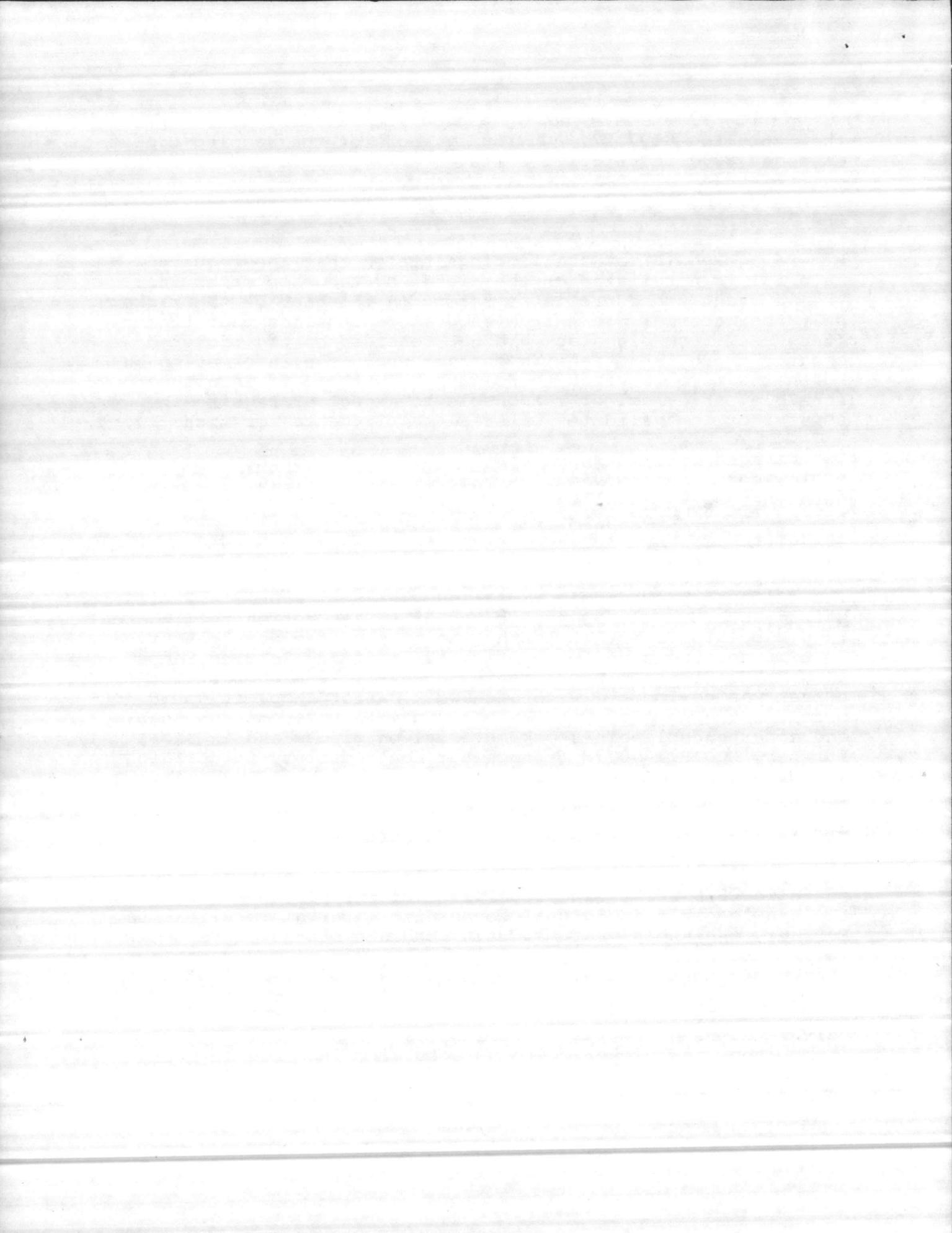


1. 17 tickets had nonexpendable material drawn against them totaling \$157.22. Obviously, none of the sampled tickets exceeded \$200 in material costs.

2. No expendable material was drawn against any of the 100 tickets.

Paragraph (b) of the findings states that the required material is not listed on the ticket by the shop supervisor. The current procedure is to record on the back of the ticket only the material drawn from shop stores against that ticket. Items used from bin stock are not recorded on the ticket because there is no requirement nor would the information be worth the time required to do such. Further, it is not feasible, practical or reasonable to expect or require the supervisor to "validate" material requirements for ticket work.

Paragraph (b) further states that only moderate stocks of low-cost, fast-moving, expendable items (e.g., nails, nuts and bolts, friction tape, solder, etc.) may be maintained in the respective work centers to accomplish work authorized by standing job orders and that such stocks will be ordered by the scheduler against the appropriate standing job order, as per paragraph 4080.3b of MCO P11000.7B. The guidance provided in MCO P11000.7B, Real Property Facilities Maintenance Manual, is predicated on an assumption that there is a shop stores outlet in the vicinity of the work center. Such is not the case for 5 of the 9 Emergency Service Shops in Base Maintenance Department. However, if a shop stores outlet was co-located with each work center/shop, it would not preclude the necessity to keep a routine supply of expendable and nonexpendable bin stock material on trucks and in shops. Further, MCO P11000.7B is somewhat contradictory in defining who will draw the bin stock. While paragraph 4080.3b states that the scheduler will order, paragraph 4042.5 states that "material required for jobs accomplished under the authority of standing job orders normally are obtained for work centers by the shop planners of the M&R Division." The scheduler or shop planner would not be knowledgeable of the material requirements for E/S work. The supervisor of the particular shop is the knowledgeable individual concerning material requirements. Further, the shops must maintain moderate stocks of fast-moving nonexpendable material items as well as moderate stocks of expendable supplies/materials. Otherwise, each service call/ticket would require a trip to shop stores to draw materials. Such is not practical nor feasible and would only result into a tremendous increase in maintenance cost (more labor per ticket) with no resulting increase in management control or other benefits.



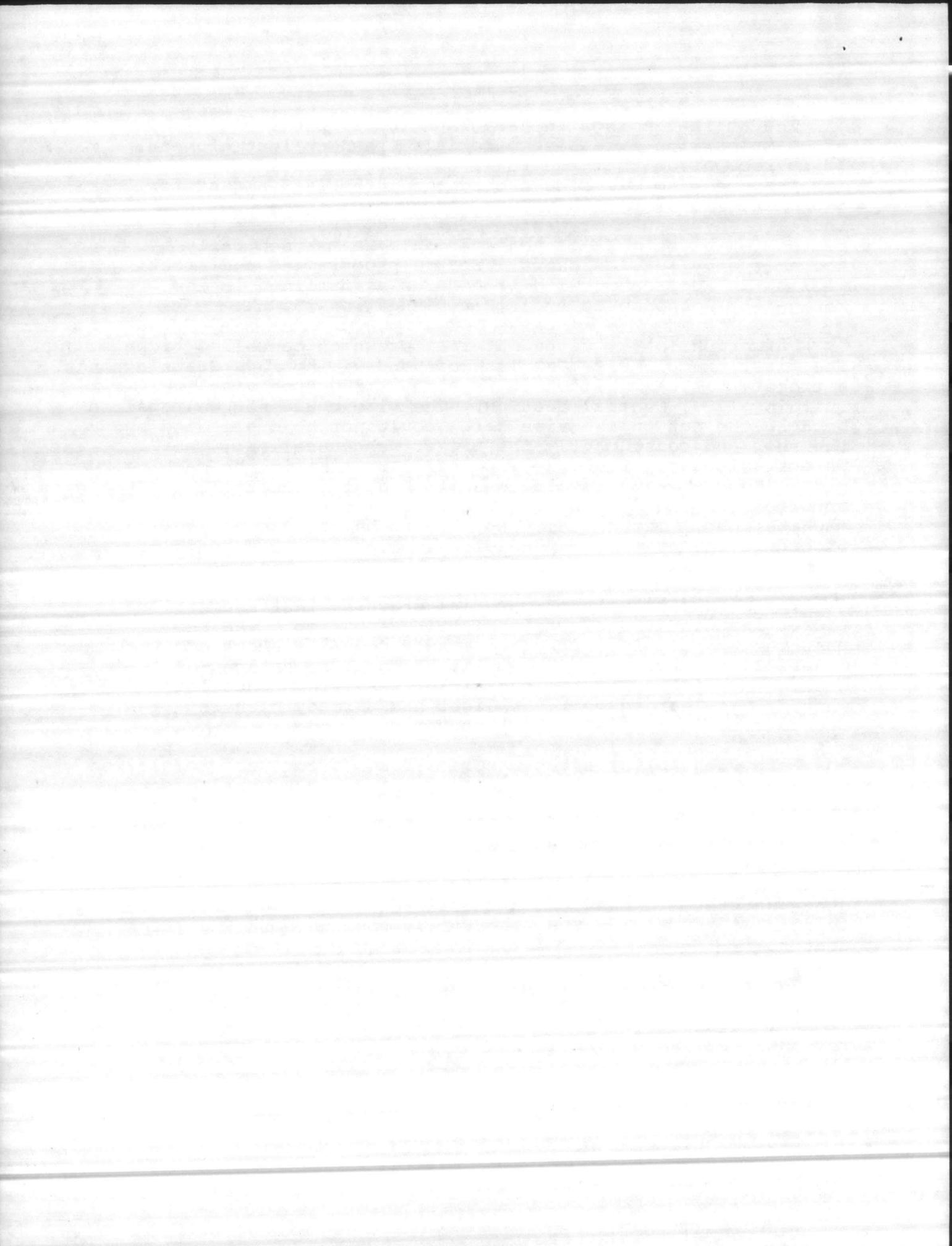
The audit findings in paragraph (b)(1) provide a listing of examples with excessive materials drawn against tickets. It is recognized that the total cost of material charges for the specific examples exceed the authorized amount for a ticket. However, the nature and type of items does not indicate any misuse or waste. The items drawn were for restocking bin stocks of nonexpendable items used daily by the emergency/service shops. Future procurement and stocking will be in accordance with procedures as outlined in the Management Response to Audit Recommendation #5.

Paragraph (b)(2) cites material drawn on cancelled tickets. The first example cited manila rope and wiping rags drawn against a ticket that was written to repair a screw type vise in Building 1700, Central Heating. The vise could not be repaired because the nut on the vise screw could not be duplicated by the shop and consequently the ticket was cancelled. The unreparable screw from the vise still remains in the machine shop. That ticket was also used to draw the consumable supplies (rope and rags) which are routinely used in the machine shop. Though there appears to be no culpability, the procedure for drawing expendable supplies requires modification as previously stated.

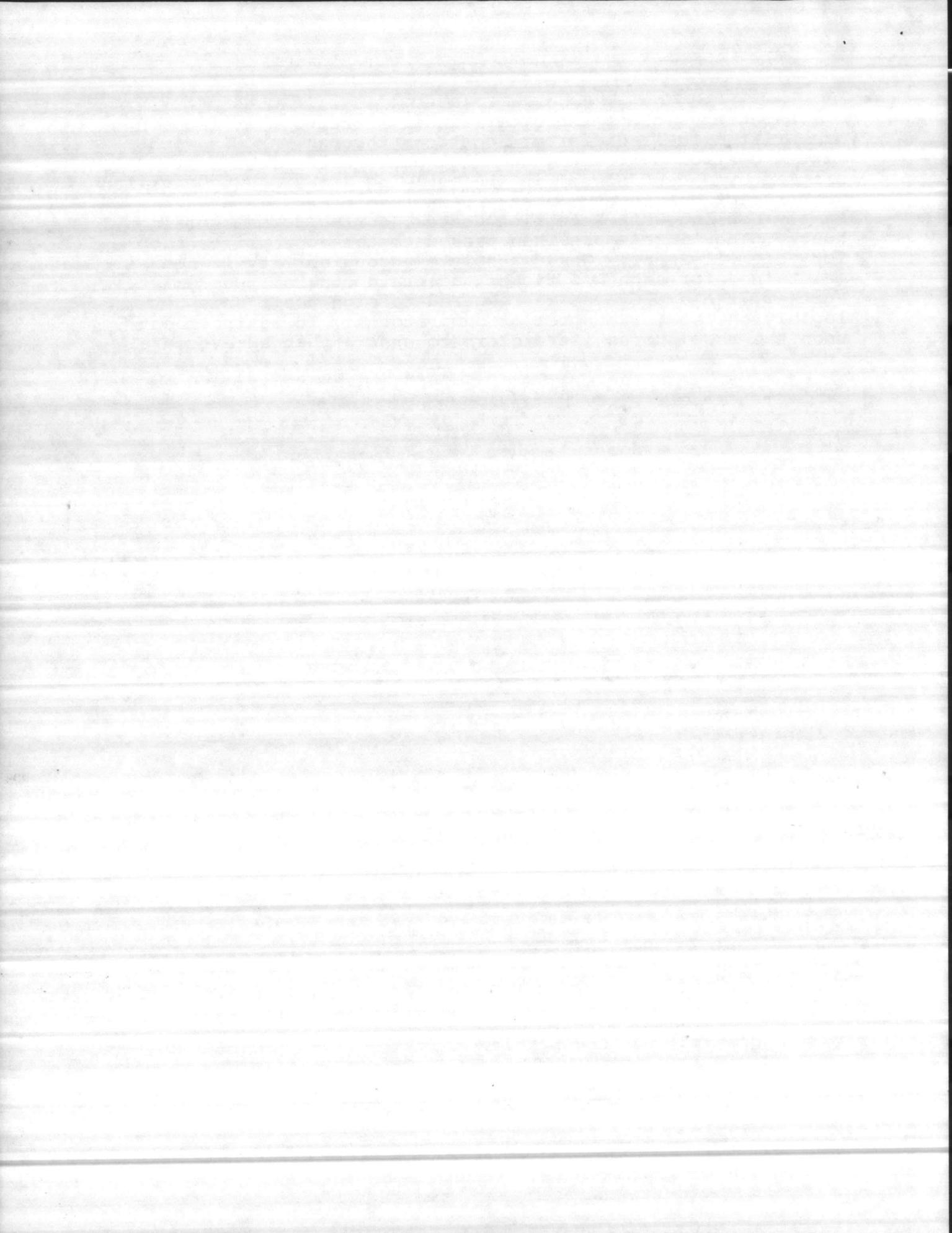
The second example of material drawn against a cancelled ticket involved the electric distribution shop. The shop used that particular ticket to draw a moderate stock of material. The work was accomplished on a Preventive Maintenance job order and the ticket was later cancelled when it was learned that the light had already been repaired. No waste or impropriety was discovered.

Paragraph (b)(3) cites material drawn after work completion date shown on ticket. Such instances are not unusual because quite often the work is accomplished and material stocks are replenished two or three days later. The work ticket completion date is the actual date work is completed. In many instances, such as in Family Housing, the work is completed before the ticket is received if it is urgent or of an emergency nature. In many cases the ticket will take a full day to reach the E/S shop from the Family Housing Work Reception Center.

The examples cited in paragraph (b)(4) of materials drawn for maintenance trucks and shop stocks are valid requirements. It is recognized that the dollar amount exceeds that authorized for a ticket and action is being taken to correct same.



Paragraph (c) of the audit findings states that tickets are written in 11 different locations through MARCORB with little control over their issue or use. Work tickets are written by S-4 personnel in the outlying areas and by civilian work receptionists at MCAS(H), Hadnot Point and in the Family Housing Work Reception Center, during normal working hours. The tickets are then passed to the appropriate shop for accomplishment. While absolute accountability is not maintained for each E/S ticket, adequate control does exist. Further, the employees are required to sign their name legibly on the issue sheet at shop stores. It is incumbent upon the shop stores issue clerk to ensure that such occurs.



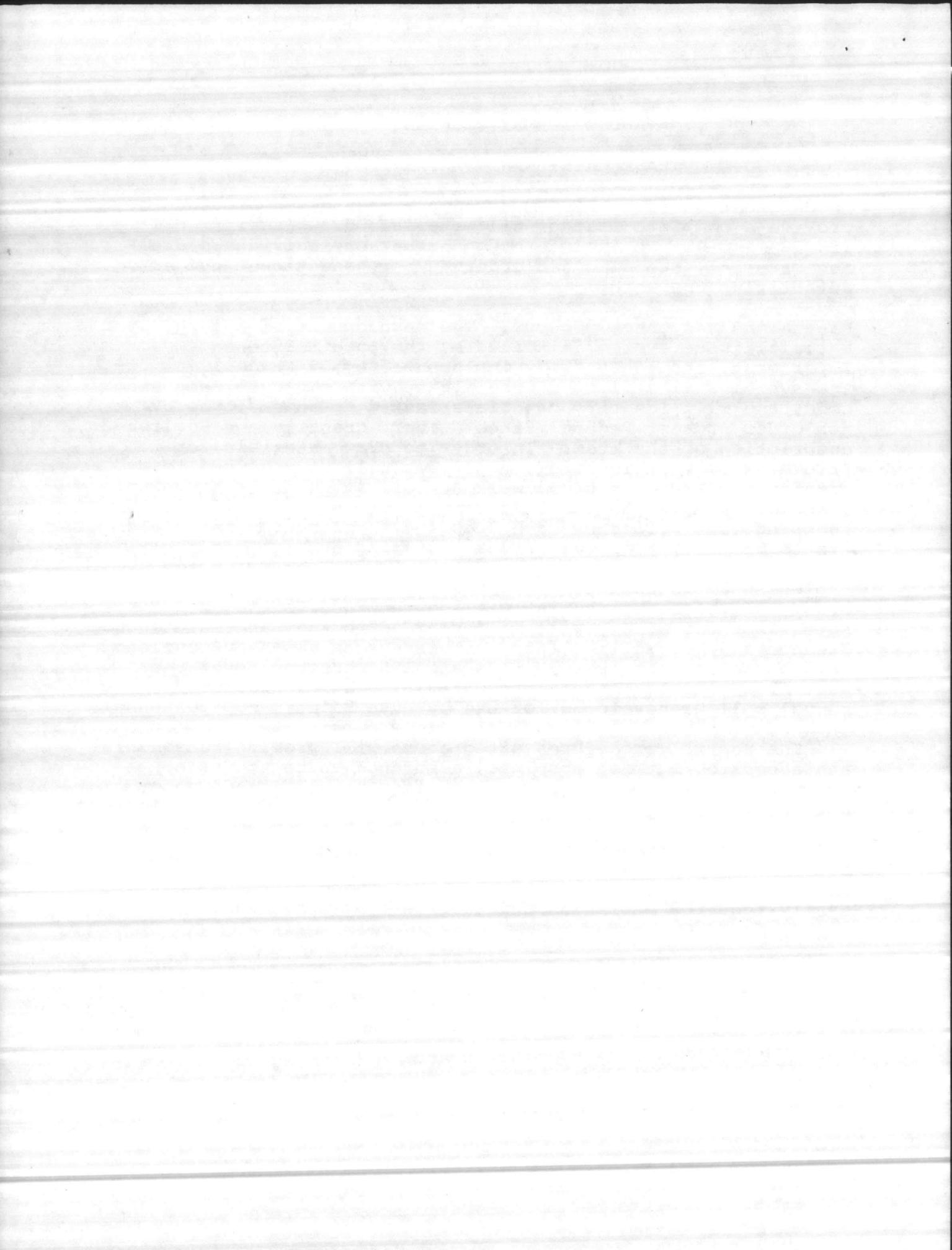
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BASE MAINTENANCE DEPARTMENT

Recommendation #2: MARCORB develop a mechanized program to provide a complete list of all materials drawn against WGC 01, 02, and 03, to include badge number of individuals drawing material, standing job order number, and ticket number authorizing the work.

Management Response: Concur. The development of a mechanized material issue system initiated by the Base Maintenance Department, should be fully implemented by 30 March 1978. The system will utilize a credit card with employee name and code, and will identify materials issued to an employee by job order number, Federal Stock Number, quantity and English description of the item. In order to draw materials for "ticket work" or bin stock, employees will be required to present their credit card, work authorization and a shopping list very similar to the self-service shopping list form. The shopping list will show each item and the location materials are to be used; i.e., bin stock, building number, etc. In the case of bin stock, the materials will be drawn to replenish a pre-established inventory in the shop or truck. A copy of the shopping list will be returned to the shop supervisor and a copy will be forwarded to the Base Maintenance Finance and Accounting Office. This system has been developed in conjunction with Base Mat Bn and ASC personnel over the past five months. A complete material control procedural manual will be developed for use by Base Maintenance personnel.

The control procedures cited above will provide reasonable and adequate, but not absolute, assurance as to the safeguarding of materials against loss from unauthorized use or disposition and reasonable assurance that management's policies and objectives are being complied with. The concept of reasonable assurance recognizes that the cost of any system of internal control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.



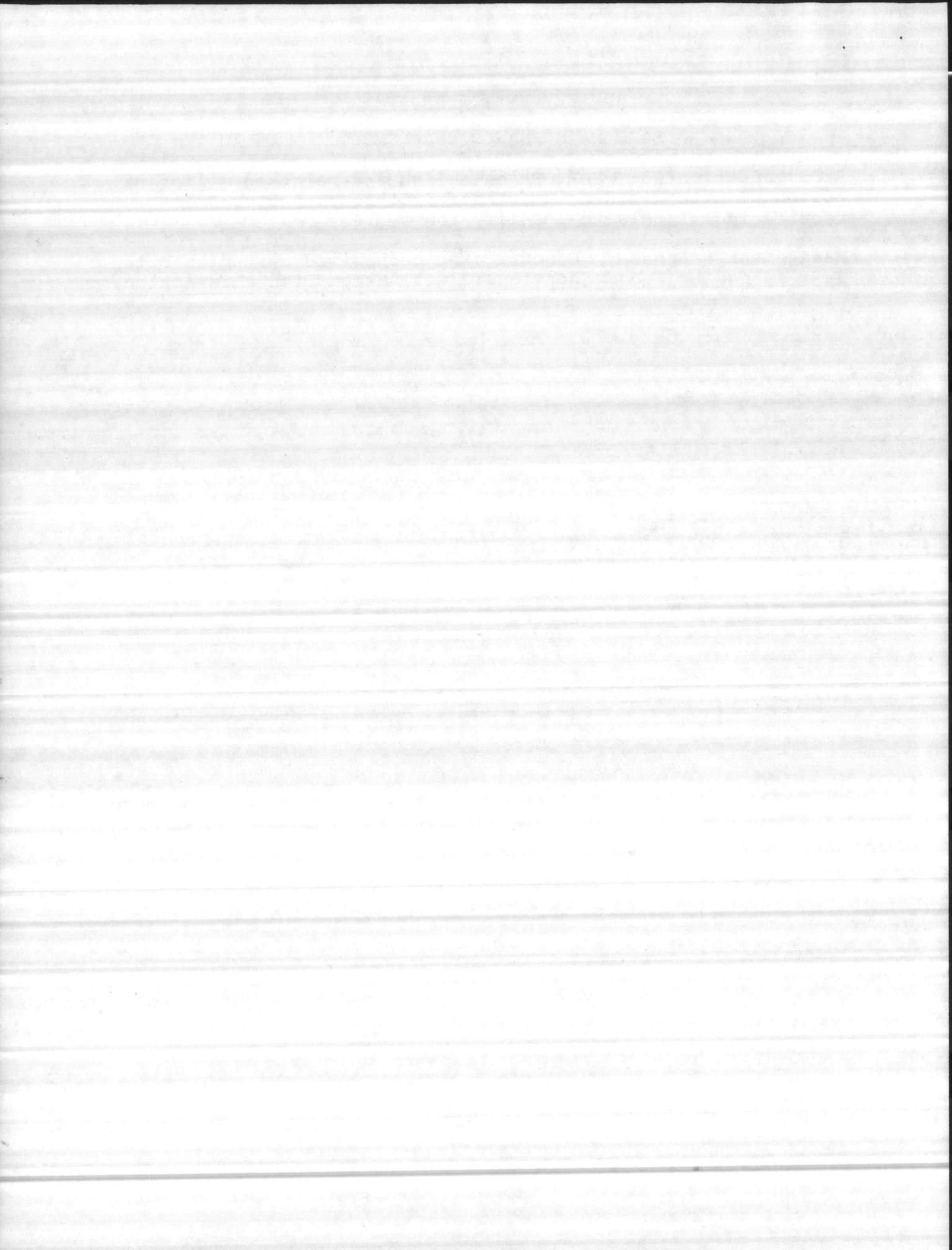
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BASE MAINTENANCE DEPARTMENT

Recommendation #3: MARCORB establish and maintain a list of personnel authorized to draw materials in shop stores and require individuals to identify themselves.

Management Response: Concur. The mechanized system as cited in response to Recommendation #2 will accomplish this action.

ENCLOSURE (1)

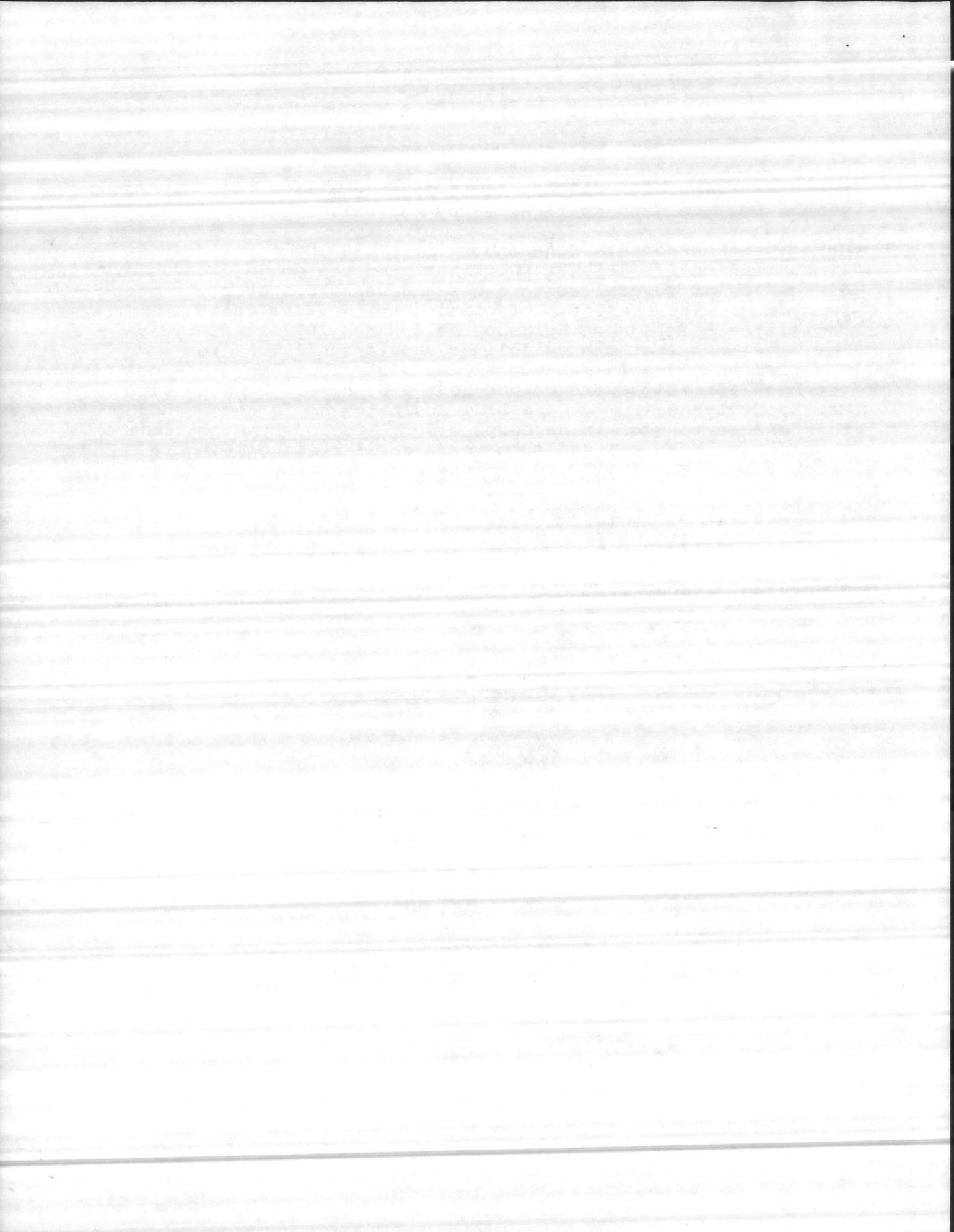


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BASE MAINTENANCE DEPARTMENT

Recommendation #4: MARCORB limit labor and material cost of ticket work to \$200 as required by MCO P11000.7A, par 4042.4b.

Management Response: Non-concur. The \$200.00 total cost limitation on E/S "ticket" work has been the subject of discussion at several conferences and workshops over the past two years. The consensus of opinion at the East Coast Facilities Maintenance Workshop held March 1977 at MCAS(H), New River was that the guidelines should be \$200.00 for material only and 16 man-hours/2 shops." The change has not yet been formally approved and issued by HQMC. FONECON with Mr. E. T. Lyons (HQMC, Code LFF) indicates he is recommending this change to the Marine Corps order. Obviously, the limit should have been changed some years earlier since 16 hours labor approximates \$170.00 in many cases thereby leaving only \$30.00 for materials. Other services have increased the materials cost limitation on E/S work to as much as \$500. It should be noted that the occasional exceeding of \$200 in a volume of 120,000 tickets per year does not indicate negligence, misappropriation or wastefulness on the use of government resources.



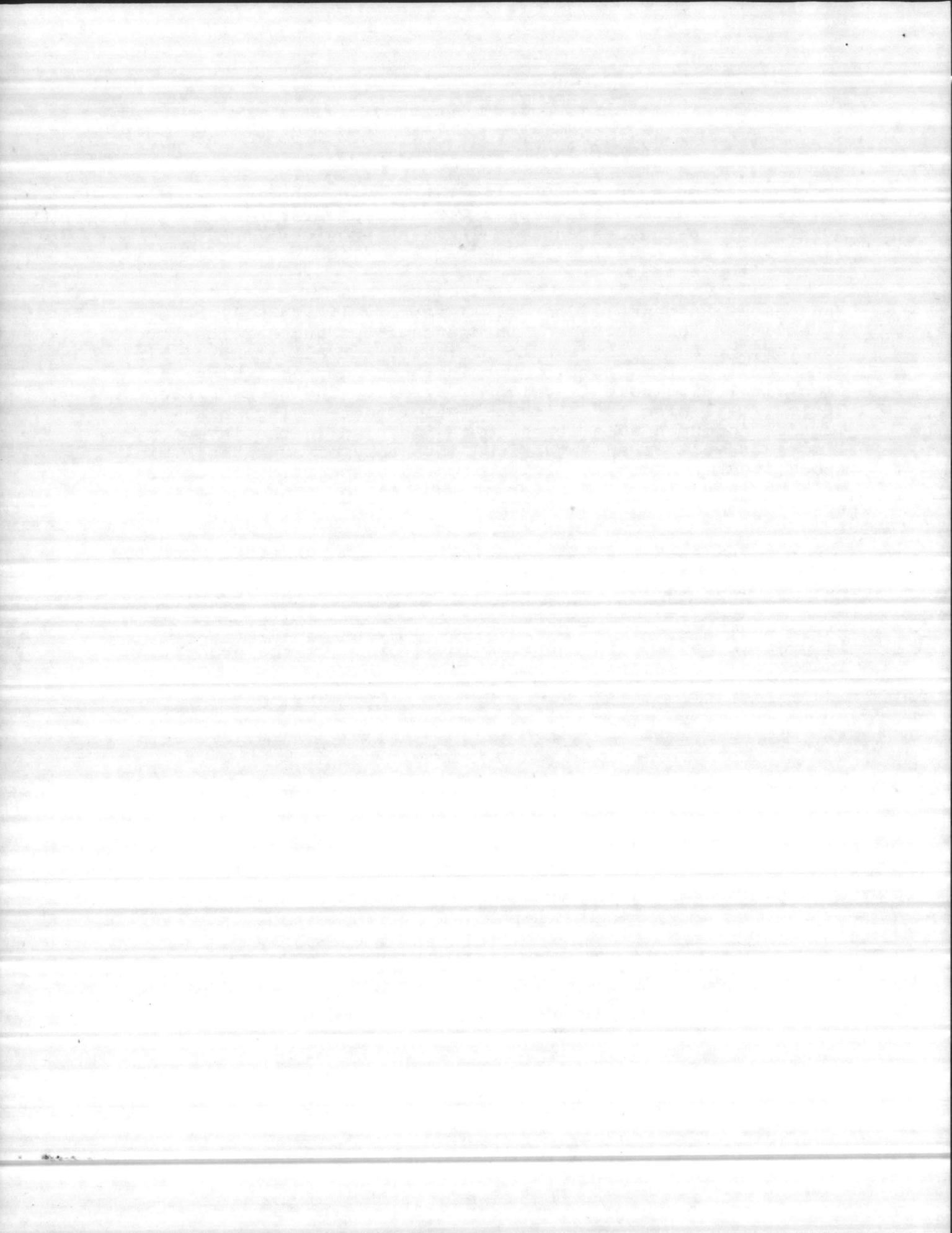
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BASE MAINTENANCE DEPARTMENT

Recommendation #5: MARCORB limit truck and shop stock of materials to accomplish ticket work to modest stocks of low-cost, fast-moving, expendable items as provided in MCO P11000.7A, par. 4080.3b, and establish a job order to capture their cost.

Management Response: Concur. Inventory limits will be established for all Base Maintenance shops and service trucks. However, because of the unit of issue, not all items of bin stock will be "low cost." For instance, copper tubing and electrical wire come in units of a roll. The Base Maintenance Officer will also establish a list of fast-moving, high-demand, nonexpendable items to be included in the inventory limits as well as an authorized inventory of expendable bin stock items. Additionally, appropriate specific job orders will be issued each shop for procurement of approved quantities of expendable/nonexpendable bin stock material.

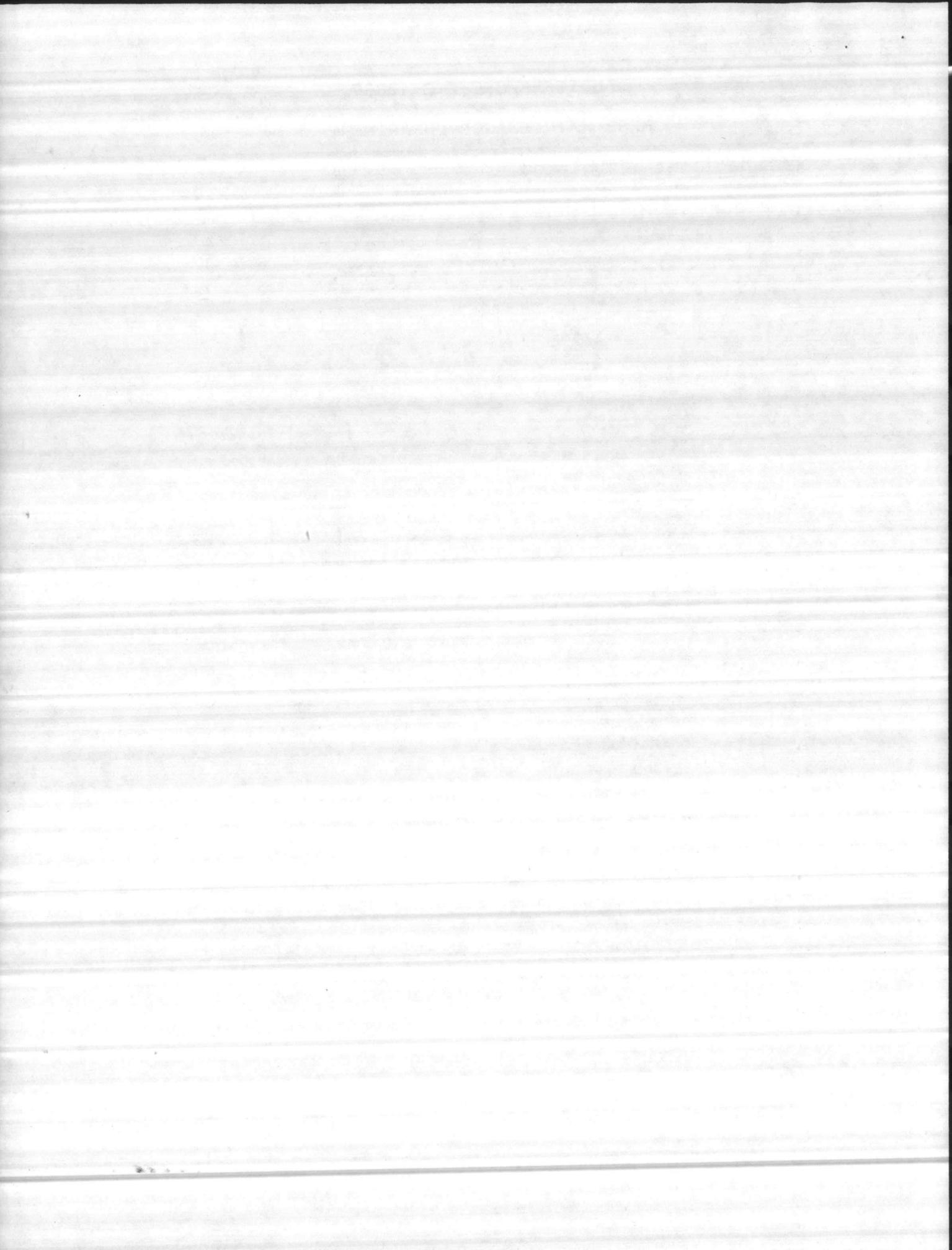
The excessive materials referred to in paragraph b of the report were materials drawn on that ticket to replenish fast-moving, high-demand items usually stocked on the vehicle or in the shop. In some instances, the materials drawn in the cited examples were in prepackaged amounts. Window glass is prepackaged and is required to be drawn in the quantities indicated for safety purposes.



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Recommendation #6: Deleted.



BASE MAINTENANCE DEPARTMENT

Recommendation #7: MARCORB inventory all materials in BMD and take appropriate action to return materials to shop stores for credit and establish accountability for material which cannot be returned for credit.

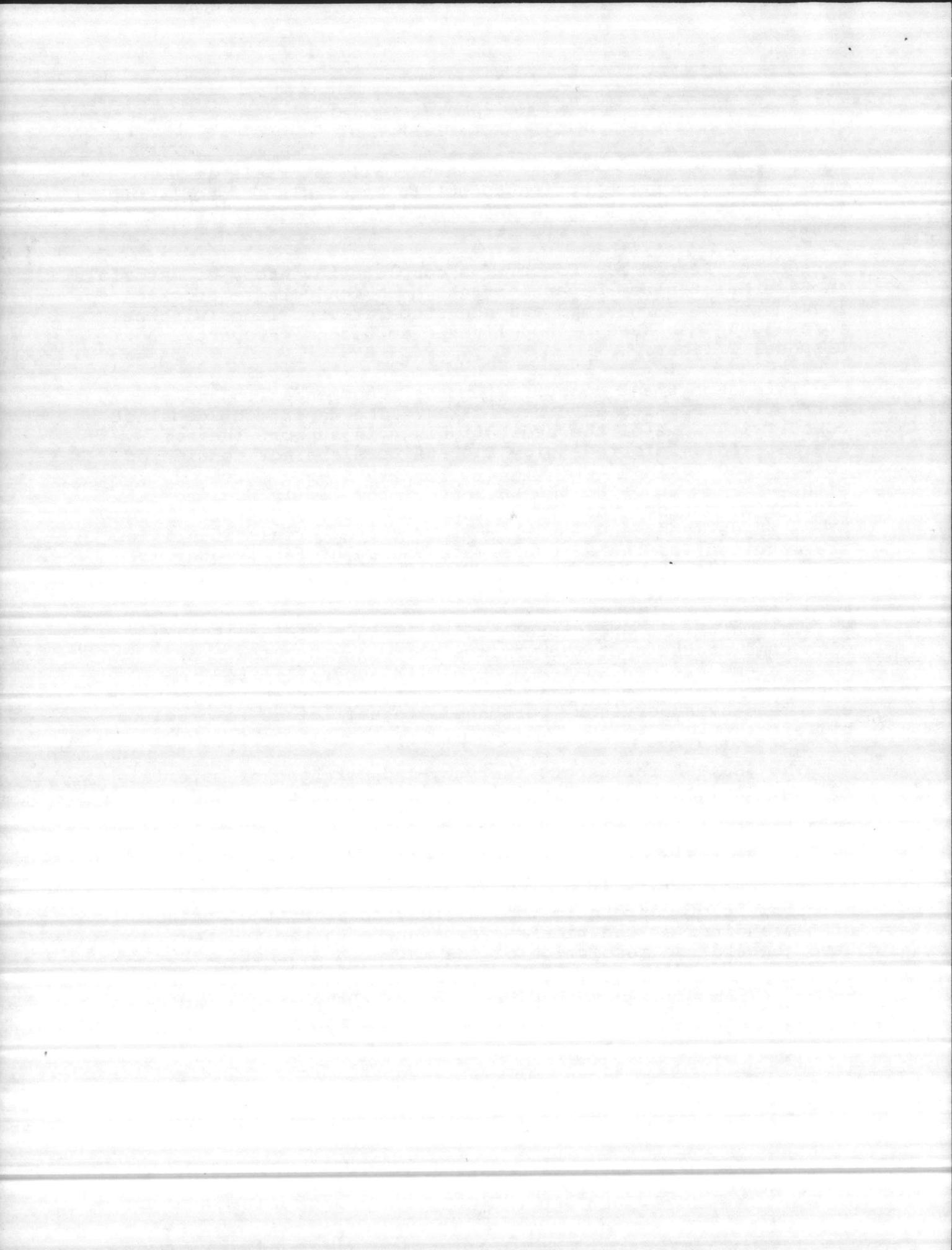
Management Response: Concur. A complete inventory of materials in Base Maintenance Department has been conducted. Stock items have been returned and non-stock or used items with no foreseeable use have been delivered to Defense Property Disposal Officer.

This department concurs with the recommendation and corrective measures have been taken. The department does not concur with some of the audit findings in support thereof. The materials referred to by the auditors are not considered to be "unauthorized" materials. The items were purchased with year-end funds at the request of the Family Housing Officer to enhance the FY 78 financial position by utilizing FY 77 funds (year-end funds). All of the materials identified are required for the adequate maintenance of family quarters and represent yearly demand requirements within the family housing area.

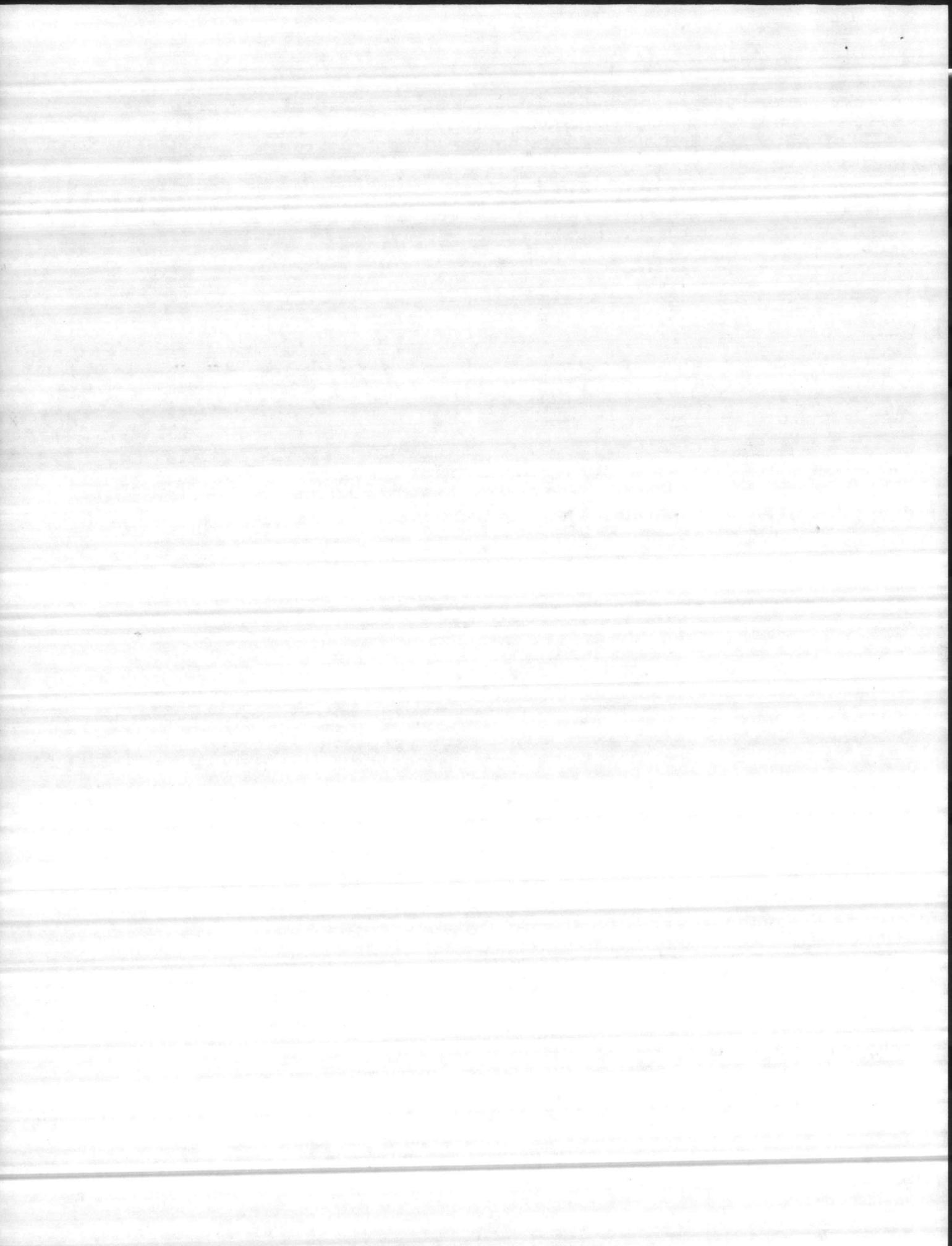
The materials are stored primarily in Building 1501 with some stockage at the various Emergency Service shops. These areas are considered secure with access limited to authorized personnel. This Department feels that the controls exercised by supervisory personnel are sufficient to preclude pilferage.

The \$86,062 represents the year-end purchase of materials as requested by Family Housing. This sum is not considered to be excessive in light of the fact that approximately \$500,000 is expended annually for materials in the family housing area alone.

The auditor's statement regarding the discarding of material is of concern to this office, however, the actions of the auditor at the time and subsequent to the incident may have jeopardized resolution of the matter. Requests were made of the auditor for further statements on the specifics of the incident, and an appropriate investigation will be conducted.



The Base Maintenance Department is aware of the problems encountered by the year-end purchase of the large quantities of material and its effect on the demand system. The question of its future use must be addressed at Marine Corps Base level to determine if an alternate solution can be found without adverse impact on the maintenance of family quarters.

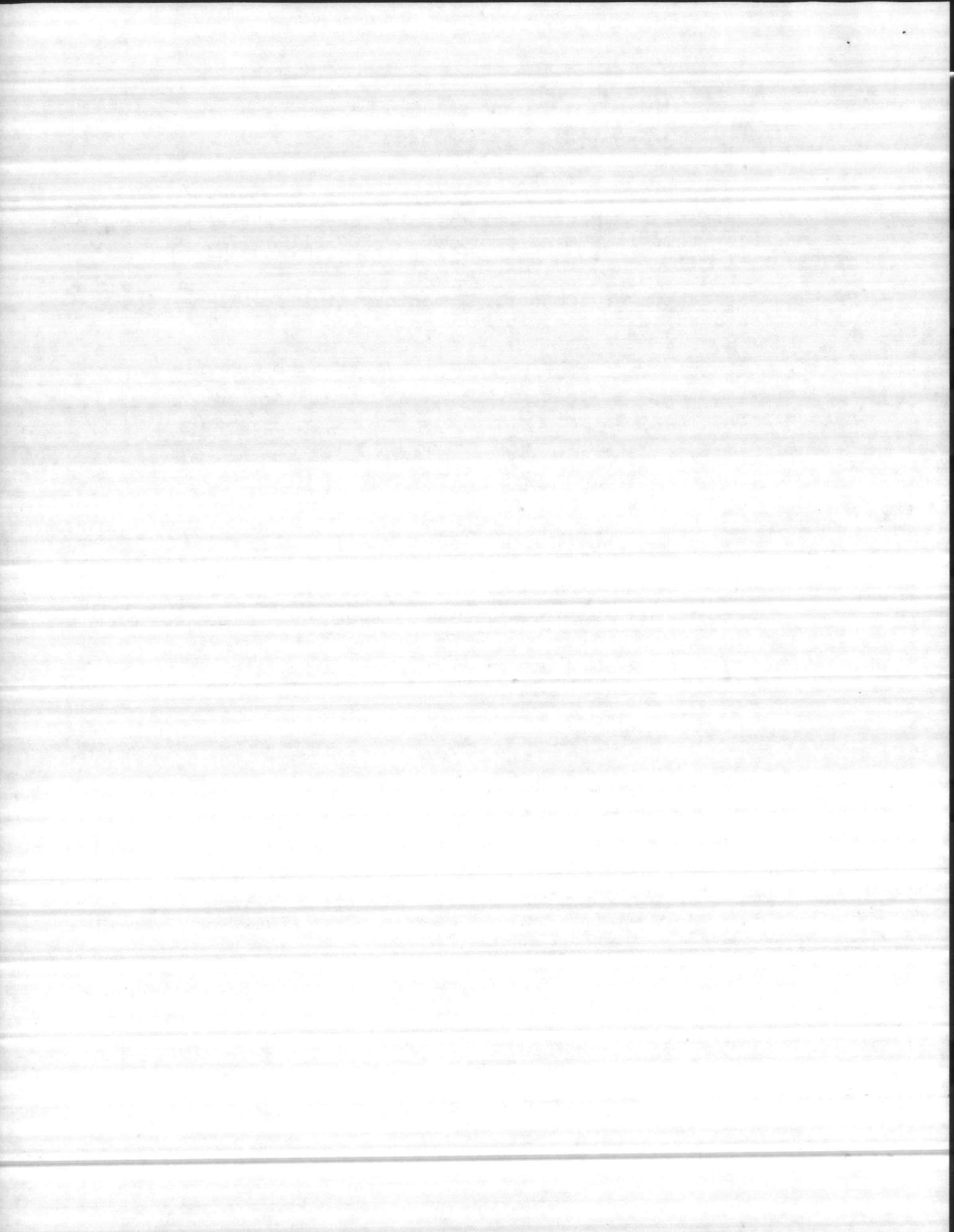


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BASE MAINTENANCE DEPARTMENT

Recommendation #8: MARCORB stock only low-cost, fast-moving, expendable items in BMD as provided by MCO P11000.7A, par. 4080.3.

Management Response: Concur. Inventory limits will be established as discussed in recommendation #5.

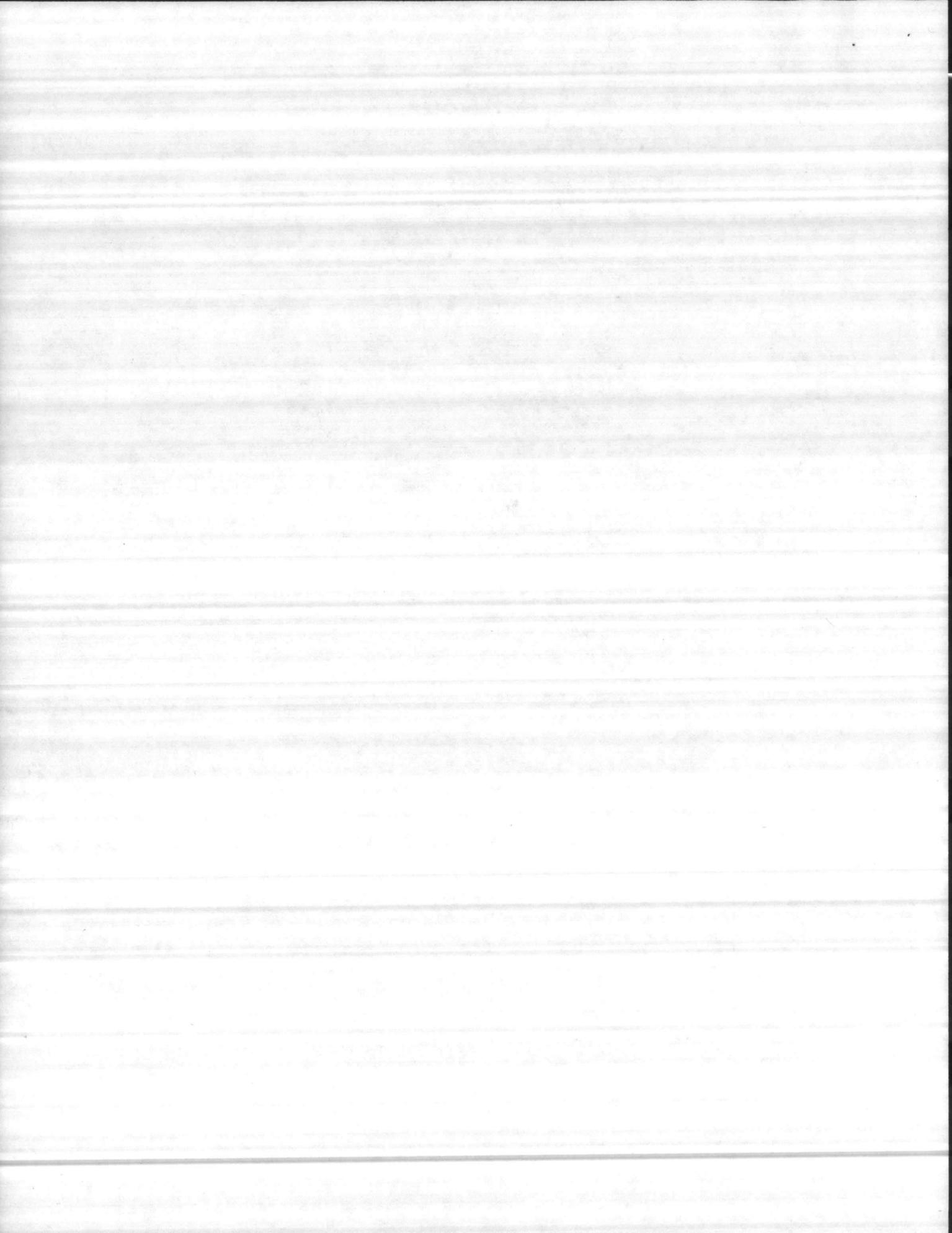


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BASE MAINTENANCE DEPARTMENT

Recommendation #9: MARCORB request shop stores to stock items when recurring demands are sufficient to warrant stockage.

Management Response: Concur.



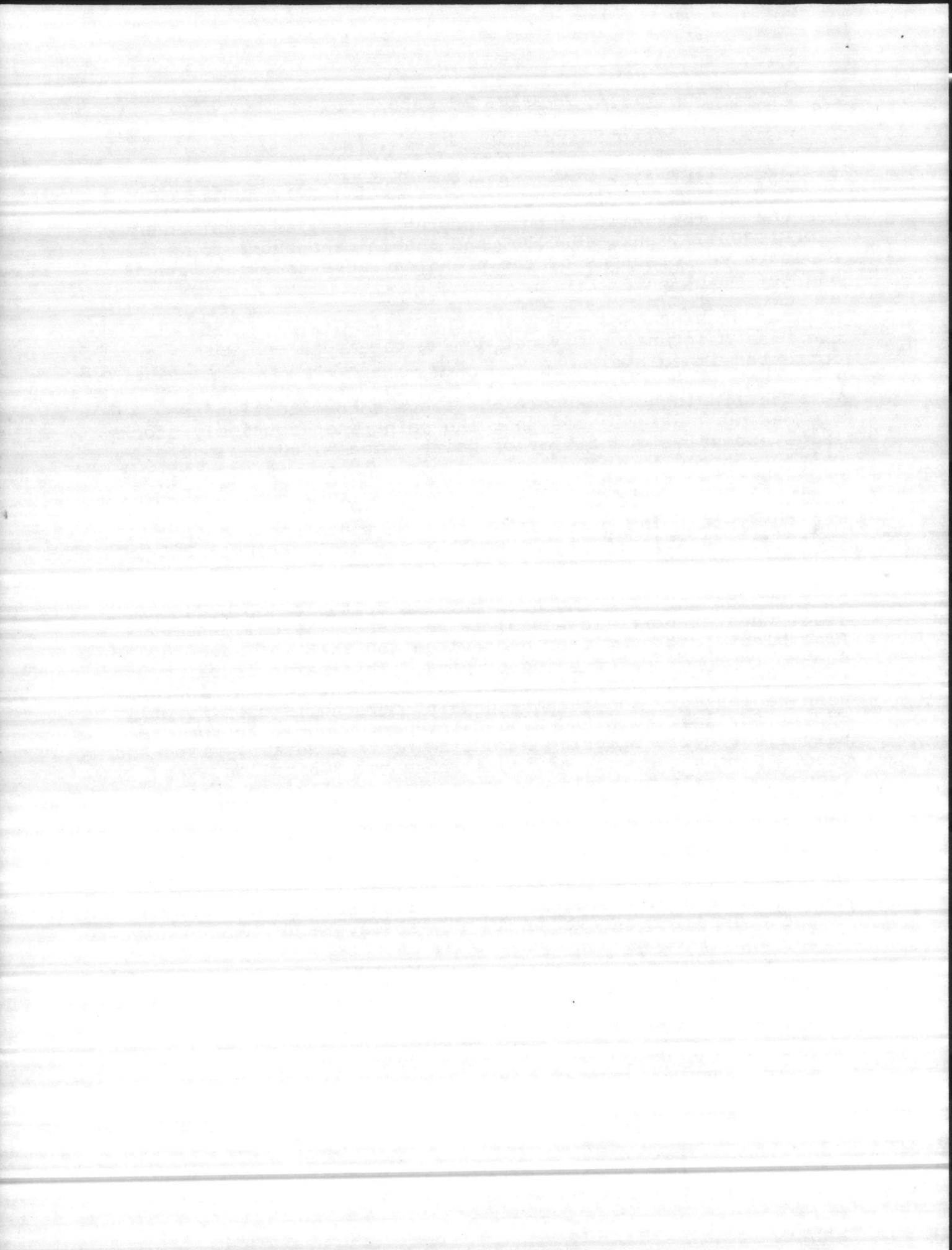
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BASE MAINTENANCE DEPARTMENT

Recommendation #10: MARCORB change current procedures used for procuring materials for the paint shops, and develop procedures that will capture accurate costs, as required by MCO P11000.7A, par. 4080.3b, and enable management to evaluate performances of the planning and estimating branch and the paint shop.

Management Response: Concur. This item was discussed with the Base Maintenance Officer during the audit and was corrected immediately.

The findings to support the above recommendation are misleading and indicates that the paint shop routinely stocks large excessive quantities of paint. The 5,000 gallons of paint reported in the paint shop mixing room was true. However, the auditor failed to record whether the paint was excess or paint waiting to be applied. 1,085 gallons was road stripping paint drawn from Shop Stores on a job order and awaiting suitable weather for application. 255 gallons was dry spray paint left over from a previous job. This paint is not stocked by Shop Stores, therefore it cannot be returned and is being held until a suitable job order (i.e. theater or field house) is received. 65 gallons was flat black left over from a previous job that was canceled due to improper paint being ordered. This paint is being used to paint welding shop areas and to black out road stripping when requested. The remaining paint on hand is used to fill orders for self help and Base Maintenance jobs. Approximately 1,000 gallons during a routine month is drawn, mixed and used. During the week ending 4 February, 875 gallons was issued for self help alone. Paint is normally and preferably drawn on a pallet lot basis (240 gallons), to facilitate handling. Basic white is drawn and color added to provide the various colors approved aboard the base. A standard amount (150-200 gallons) of each basic color is stocked for immediate use. Approximately 120 gallons is required to paint a barracks, therefore 1000 to 1500 gallons mixed paint is not considered an excess for day to day issue, especially during warm seasons and upcoming IG inspections.

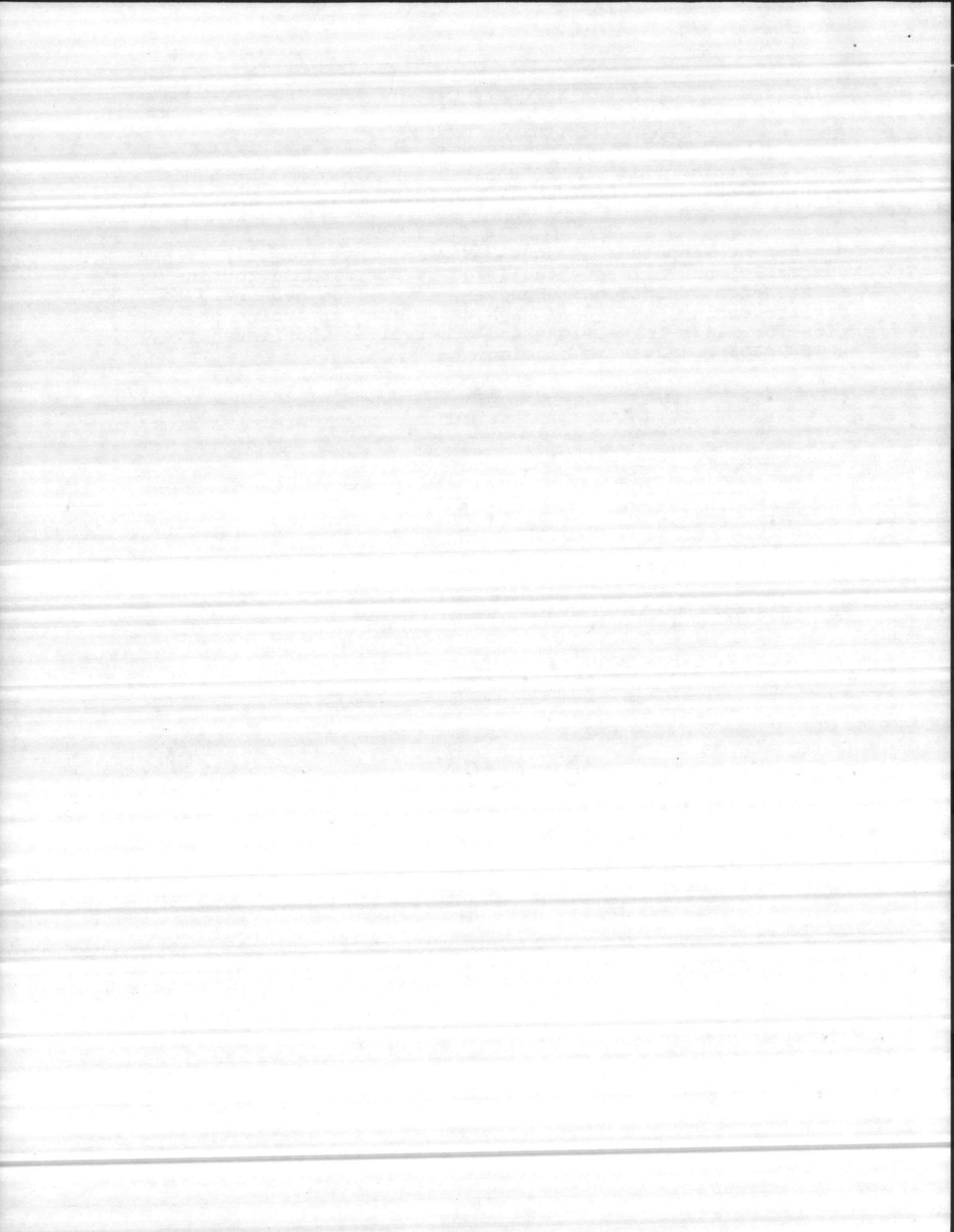


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BASE MAINTENANCE DEPARTMENT

Recommendation #11: MARCORB establish a maximum on hand quantity of paint required by the paint shop for working stock.

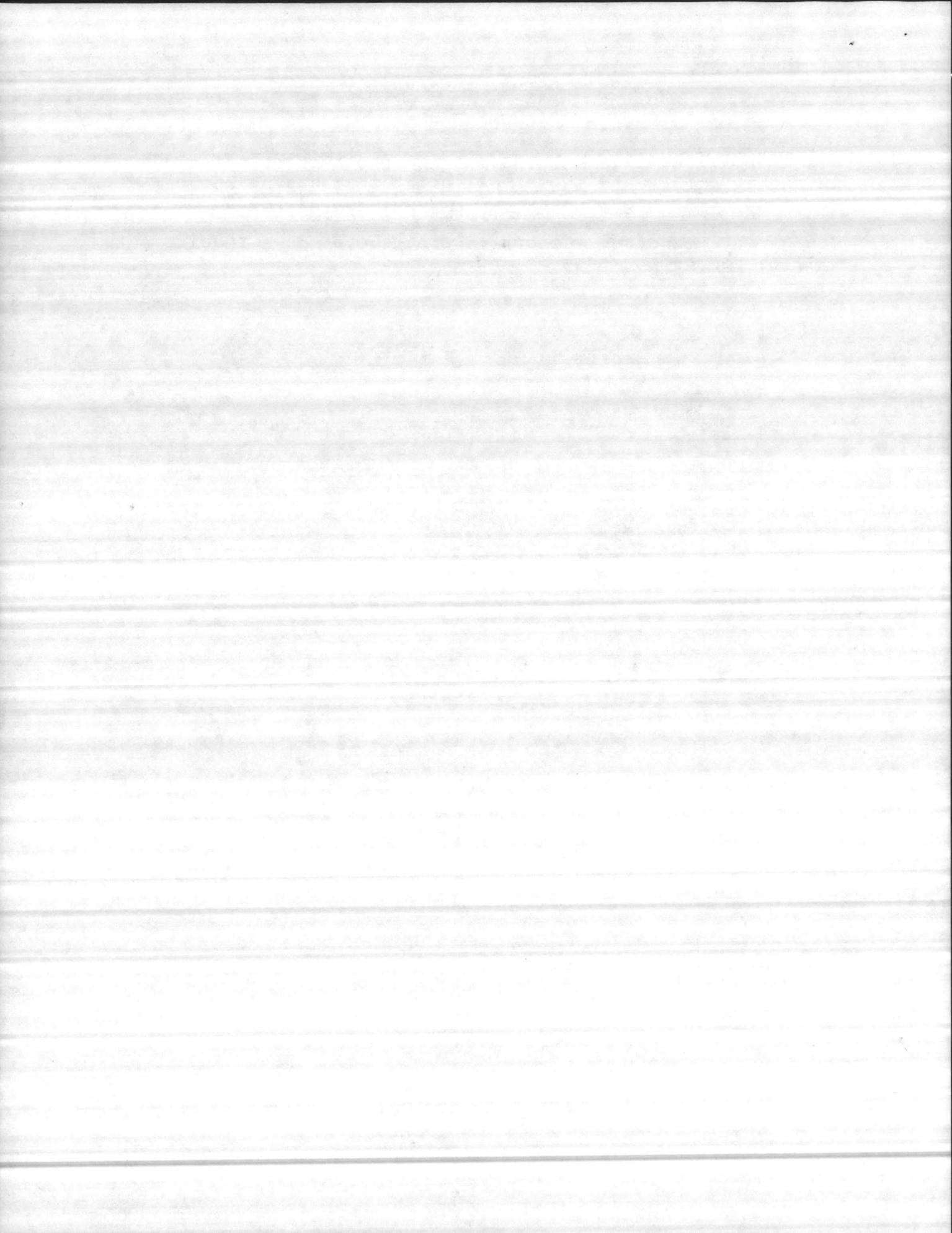
Management Response: Concur. Maximum inventory limits are desirable and will be established to accommodate routine maintenance operations. However, it will be necessary to deviate during periods of high usage such as during preparation for major inspections and other times when extensive self help projects are ongoing.



BASE MAINTENANCE DEPARTMENT

Recommendation #12: MARCORB examine the current paint inventory at BMD and excess all paint that has no known requirement as provided by MCO P11000.7A, par. 4080.3b.

Management Response: Concur. Paint above known requirements will be reduced through demand issues.



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BASE MAINTENANCE DEPARTMENT

Recommendation #13: MARCORB establish procedures to compare materials drawn with materials required by nomenclature and quantity for estimated job orders on a sample basis.

Management Response: Non-concur. The source data providing the basis for this recommendation is not valid. A review of the examples cited revealed the following:

Example 1

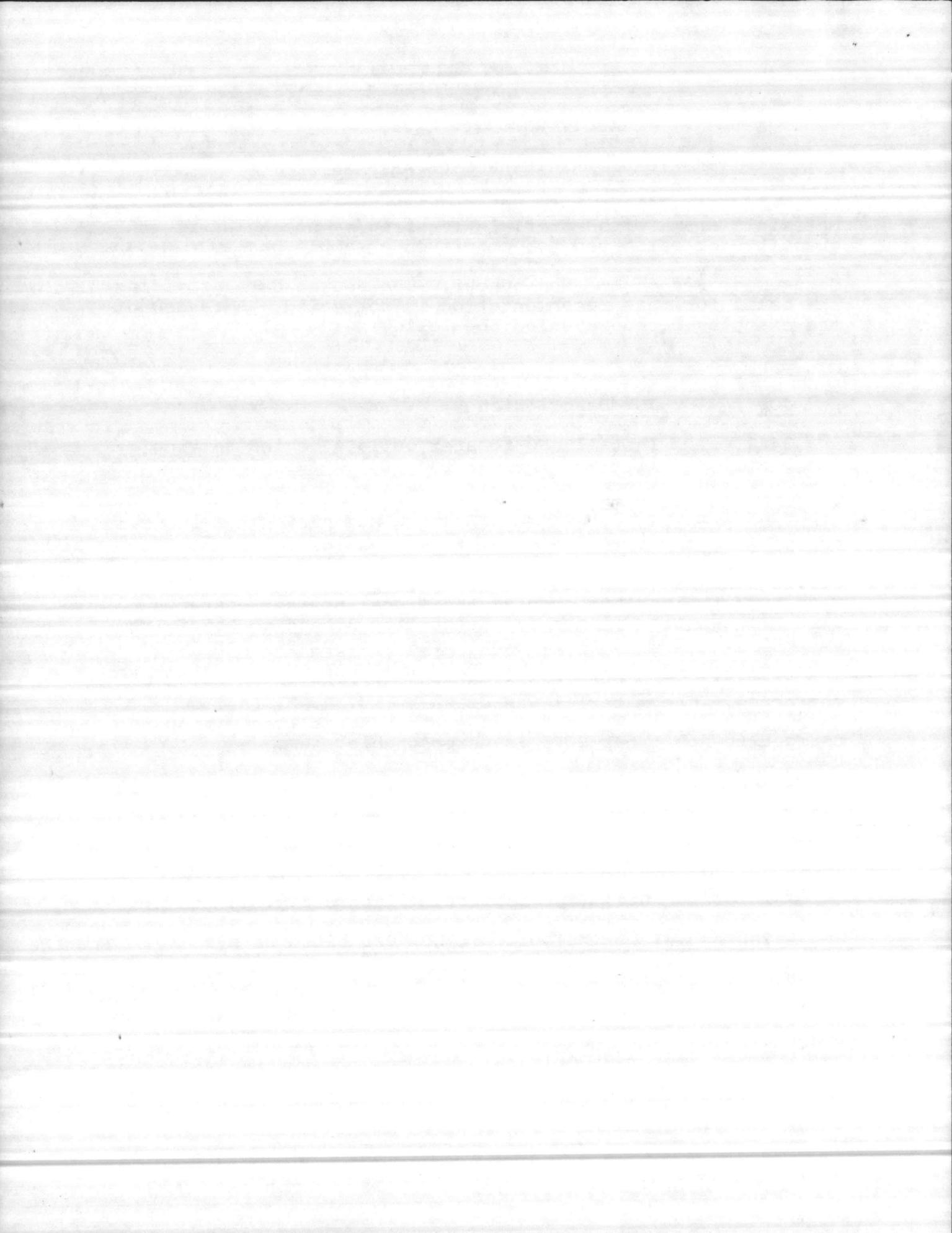
<u>JOS</u>	<u>Job Description</u>
2441	Install new toaster outlets behind serving line and install one duplex receptacle.

The DSSC material issue listing cited two 4 X 12 aluminum sheets were charged to job order 2441 while the official fiscal record did not show a charge for same. The fiscal program would not accept the charge because the shop drawing the material was not authorized on job order 2441. When such an instance occurs, the fiscal officer contacts Base Maintenance Finance and Accounting Branch to obtain the correct job order number. The two sheets of aluminum were actually charged to job order 2375, miscellaneous maintenance and service. The DSSC issue records are not retroactively corrected. The material was drawn by Mr. R. F. Lanier, Sheetmetal Shop. To assume that the material was erroneously charged to job order 2375 is unreasonable.

Example 2

<u>JOS</u>	<u>Job Description</u>
2662	Remove equipment from Water Treatment Plant laboratory and reinstall in Building 66, Utilities Monitoring Laboratory.

A 200 amp electrical circuit box was cited as a charge against this job order. The panel was required and was installed in Building 66 to provide adequate power for the laboratory equipment. The initial job order was amended because additional new equipment was procured by the Natural Resources Division and had to be installed. The material list accompanying the initial job order only listed "miscellaneous material" which was proper and adequate for the type of work. The amendment to the job order cited the additional material used.



Example 3

<u>JOS</u>	<u>Job Description</u>
3656	Repair compressor on air-conditioning system, Building 524

The records show two rolls (150 lbs.) of copper wire drawn on this job order. The job order was issued as an "open end" job order to repair the air-conditioning system because it was an emergency situation. A prior estimate on work of this type is impossible because the air-conditioning compressor is a sealed unit, but secondly, time will not permit such when an air conditioning system is down in a messhall. The unit is a 50 hp, and while not all of the two rolls of wire are required for that motor, the coils must be wound in parallel, which requires using from two separate rolls at the same time. The amendment to the "open end" job order reflected the exact amount of material drawn.

Example 4

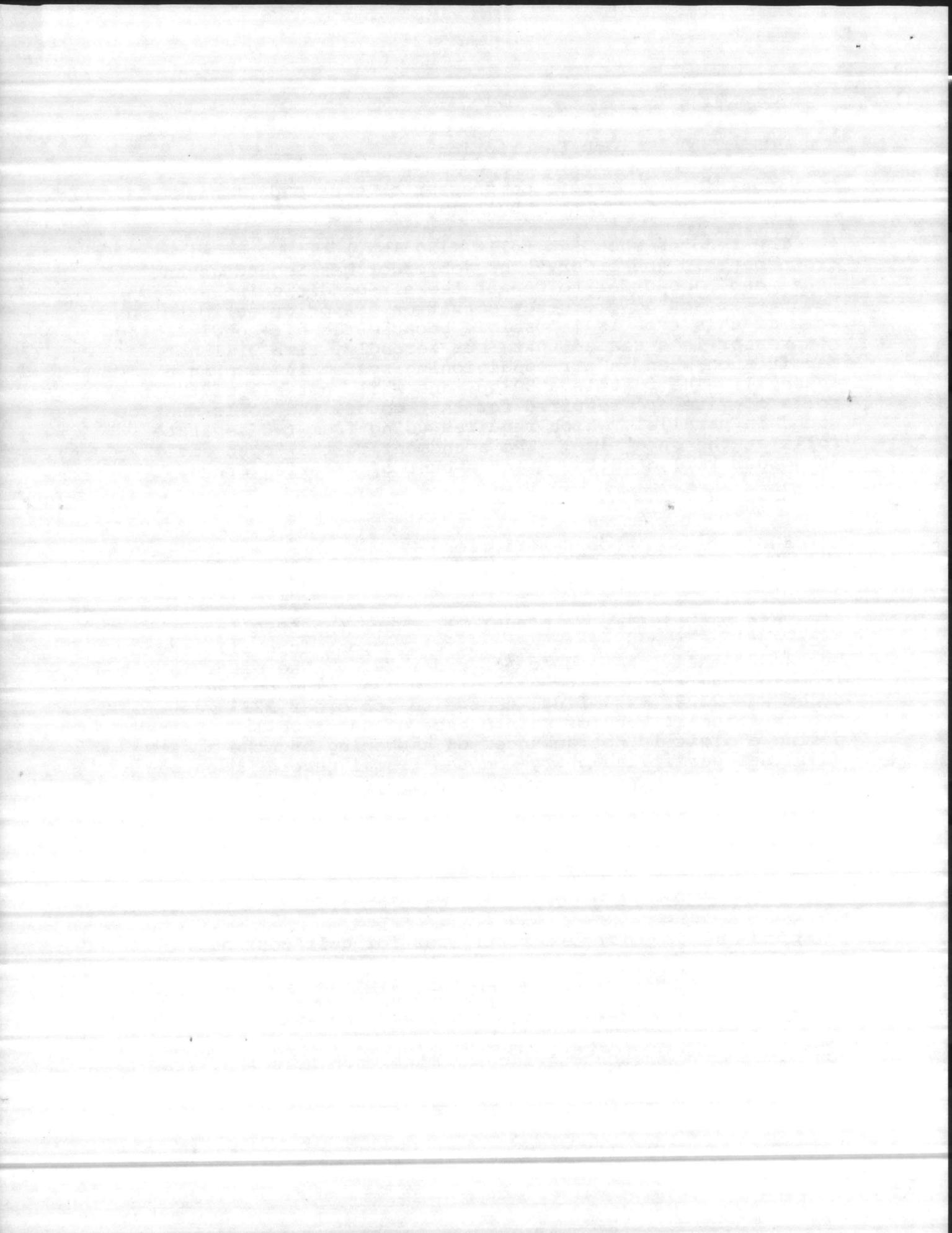
<u>JOS</u>	<u>Job Description</u>
2523	Fabricate one storage bin.

This was similar to example 1, where the DSSC issue records show two barrels of general purpose lube oil issued but was finally charged to job order 2323. The error resulted from someone transposing a "5" for a "3." The correct job order was 2323. The final charge to job order 2323 was proper since it was for maintenance of water wells. Transposing a digit is not an uncommon happening but the system would not permit the charge on the fiscal records because the shop was incorrect for the job order.

Examples 5 and 6

<u>JOS</u>	<u>Job Description</u>
3505	Landscape main gate area.
3553	Procure fertilizer for golf course.

Similar to example 4, where the error was corrected before charged to the fiscal records because the shop was not loaded for the particular job order and the fiscal program would not accept the charge. The errors cited are not uncommon when considering that the shop personnel are dealing with thousands of job orders annually and any one of the fourteen digits of a job order will produce an error.

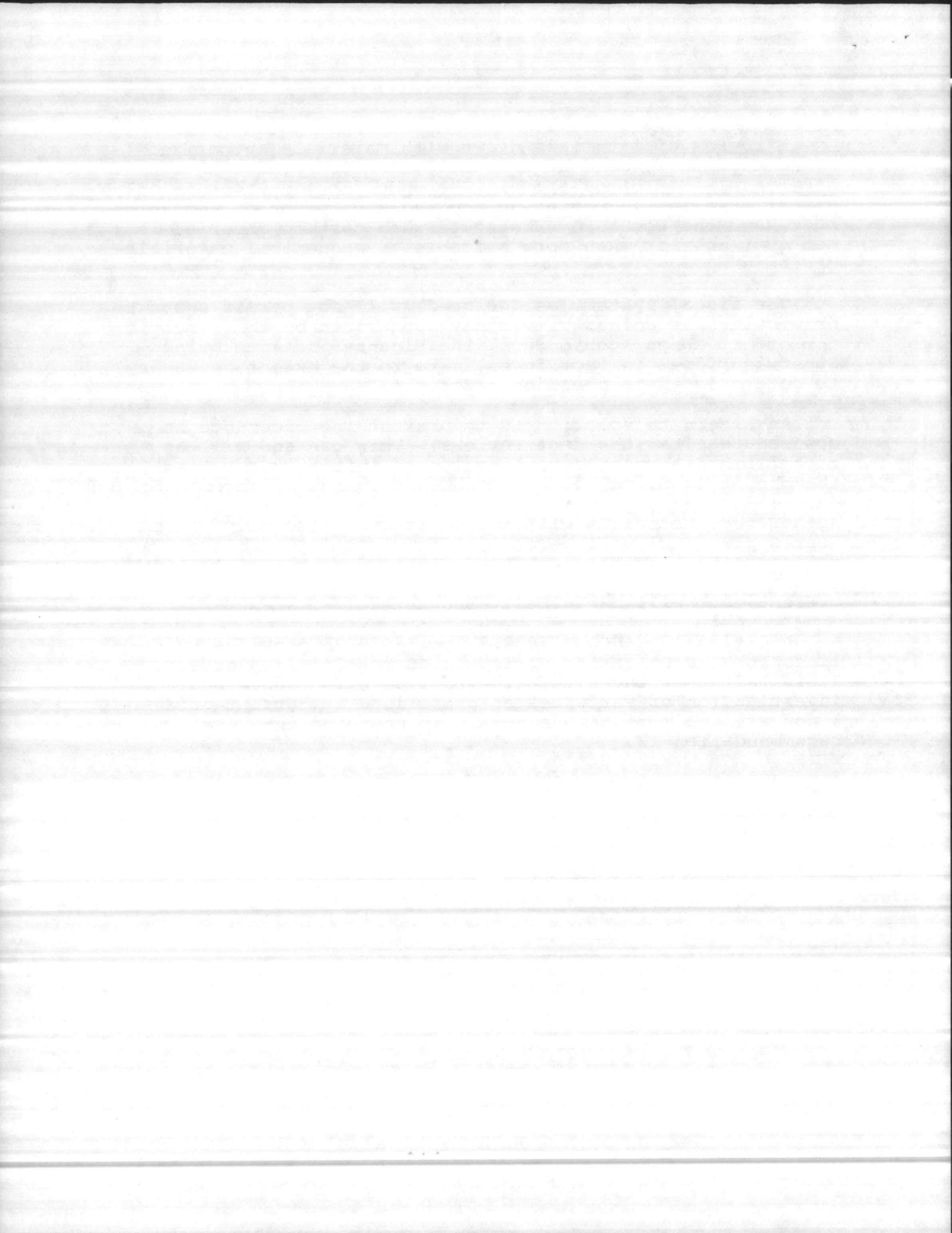


A review of materials drawn with materials authorized by nomenclature would be a fruitless search producing the same results as cited above. The specific job order is only an estimate in the beginning and the supervisor or mechanics must have the right to substitute when certain material is not available or when more suitable or economical materials can be used.

The fiscal system, as designed, will not permit shops to draw materials unless previously authorized on the specific job order. When such occurs, the Finance and Accounting Supervisor does in fact investigate to the extent necessary to determine the proper job order.

An alternate solution is to prevent the occurrence as opposed to after the fact reviews. This can and will be accomplished through a combination of initiatives. First, the credit card, as described under response to recommendation #2, will clearly identify the person and shop, and if not authorized, materials will not be issued. Secondly, Shop Stores personnel will be requested not to issue unless personnel have proper authorization to draw material, i.e., ticket or specific job order. This is standard procedure at present, but will be formally requested.

Additionally, MCO P11000.7, par 5030.2b provides guidelines for investigating variances on specific job orders. It is felt that the alternate solution cited above and investigation of variances as prescribed by current guidelines will be more than adequate to meet the intent of recommendation 13.



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BASE MAINTENANCE DEPARTMENT

Recommendation #14: CMC consider including in MCO P11000.7A a requirement to make spot comparisons of materials drawn with materials required on estimated job orders.

Management Response: Non-concur. (Same as response to recommendation #13.)

