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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

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LOGISTICS AND COMMUNICATIONS
DIVISION

JAN 12 1973

B-152598

Dear Mr. Secretary:

We reviewed the administration of the contract for logistic support of the Kwajalein Missile Range and submitted a draft of our proposed report to you and to the contractor on June 22, 1972, for review and comments. The Department of the Army and the contractor subsequently advised us of actions taken or planned to improve range management.

The more significant matters found during our review, our proposals for improving management, and the Army's and the contractor's corrective actions are summarized below.

BACKGROUND

Logistic support of the Kwajalein Missile Range, located in the Marshall Islands, costs the Government about \$25 million a year under a cost-plus-award/incentive-fee contract administered by the U.S. Army Safeguard System Command and its representatives at the range.

IMPROVEMENT OF SUPPLY OPERATIONS

The supply inventory consisted of about 57,000 line items valued at about \$4.6 million.

The contractor had been responsive to the supply needs of the Kwajalein Missile Range but certain supply procedures and practices were inefficient and uneconomical. We proposed that the Army direct the contractor to

- reduce inventory levels,
- restrict noncritical items in inventory to only those supported by actual demand or realistic estimates of future use and to dispose of those items not meeting these criteria,
- improve the accuracy of inventory control records, and
- use lower-cost Government supply sources instead of commercial sources as much as possible.

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The Army agreed with these proposals and said that the lack of an automated supply system and of reliable surface shipping services had hurt its efforts to improve the system before our review. The Army also said that the following corrective actions were taken, in process, or planned.

- The contractor was directed to review inventory levels; new levels were approved; and the levels for major categories of supply were reduced by more than 20 percent. Additional improvements in the supply operations are being studied and more reductions may be made.
- Supply records were computerized, and the contractor identified about 20,000 different line items (about 35 percent of the number stocked) which were not supported by actual demand. These items are being matched against future needs, and if no requirements are identified, they will be redistributed or disposed of. During our review, we were told that the computer would be used to stock noncritical items on the basis of actual demand.
- Stock record accuracy has improved because of computerization of supply records and more timely physical inventories. An acceptable level of accuracy is expected in the near future.
- The contractor was directed to use Government supply sources to the extent possible, and a microfilm data system was provided to help identify Federal Stock Numbers and Government supply sources.

RECOMPUTATION OF ADMINISTRATIVE VEHICLE REQUIREMENTS

Kwajalein Island, where the range activities are centered, covers about 1 square mile. The contractor operates free bus and taxi service and provides about 300 administrative vehicles (sedans, pickup trucks, carryalls, buses, and multipurpose delivery trucks) to meet work-related transportation needs. Privately owned automobiles are prohibited.

Buses were not being fully used and other administrative vehicles appeared to be excess. The criteria for computing vehicle requirements needed improvement because no analysis of vehicle use for work-related purposes was available. Vehicles were used primarily for transportation between residences and

the work area in the morning, at lunch time, and at night. During nonworking hours the vehicles were used for transportation to recreational areas, retail stores, and clubs.

According to the Army, revised procedures have increased the use of bus and taxi service, decreased the use of vehicles for non-work-related purposes, and provided a record of individual vehicle use. Some reductions in the vehicle fleet have already been made, and valid requirements have been met by a realignment of existing resources. The requirements are being further validated as experience under these procedures is attained.

DISCONTINUANCE OF SUBSIDIZED
DINING OPERATIONS

The dining operations at the Kwajalein Missile Range were not self-sustaining and were subsidized by the U.S. Government. The contracting officer had authorized subsidies of \$9,000 per quarter, which would have amounted to \$108,000 for the 3-year period of the contract.

We suggested to the Army that the contractor establish meal prices sufficient to cover the cost of the dining operations. The Army replied that, effective December 31, 1971, the meal prices had been increased, that subsidies had been discontinued, and that all operating costs were being recovered.

Since some of the corrective actions discussed above have not been completed, we suggest that the Army advise you of the status of its efforts. Please inform us of the progress.

In view of the actions taken or planned to improve range management, we are not sending a formal report to the Congress. We are sending copies of this report to the Director, Office of Management and Budget; the Secretary of the Army; the Director, Defense Contract Audit Agency; and Representative Patsy T. Mink.

Sincerely yours,



Director

The Honorable
The Secretary of Defense