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United States General Accounting Office

Report to the Chairman, Committee on
Governmental Affairs, U.S. Senate

August 1992

DEFENSE INVENTORY

Procurement Transaction During Operations Desert Shield and Storm



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United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-248841

August 19, 1992

The Honorable John Glenn
Chairman, Committee on
Governmental Affairs
United States Senate

Dear Mr. Chairman:

As requested by your office, we analyzed changes in procurement of supplies and equipment reported by the Department of Defense (DOD) during Operations Desert Shield and Desert Storm. In July 1991, during testimony before your Committee, we provided preliminary data on such procurements through March 1991.¹ This report provides an expanded analysis and updates that data through September 1991.

Results in Brief

DOD procurements of supplies and equipment during a 3-year period encompassing the Persian Gulf crisis were relatively stable. Procurements increased during fiscal year 1991 but did not reach the peak level of 2 years earlier. DOD-wide procurements for supply and equipment items fell from \$73.1 billion in fiscal year 1989 to \$71.7 billion in fiscal year 1990 and rose again to \$73 billion in fiscal year 1991.

From fiscal years 1990 to 1991, Army, Air Force, and Defense Logistics Agency (DLA) procurements increased 6.6, 4.4, and 24.7 percent, respectively, but Navy procurements declined 12.2 percent. Overall procurements increased \$1.3 billion, or about 2 percent, during this period and were spread over most federal supply class categories. Commodities with significant increases included motor vehicles, electrical and electronic equipment, fuels, lubricants and oils, subsistence, and clothing and individual equipment.

¹Defense Inventory: Further Improvements Needed in Management of Spare Parts and Other Secondary Items (GAO/T-NSIAD-91-47, July 17, 1991).

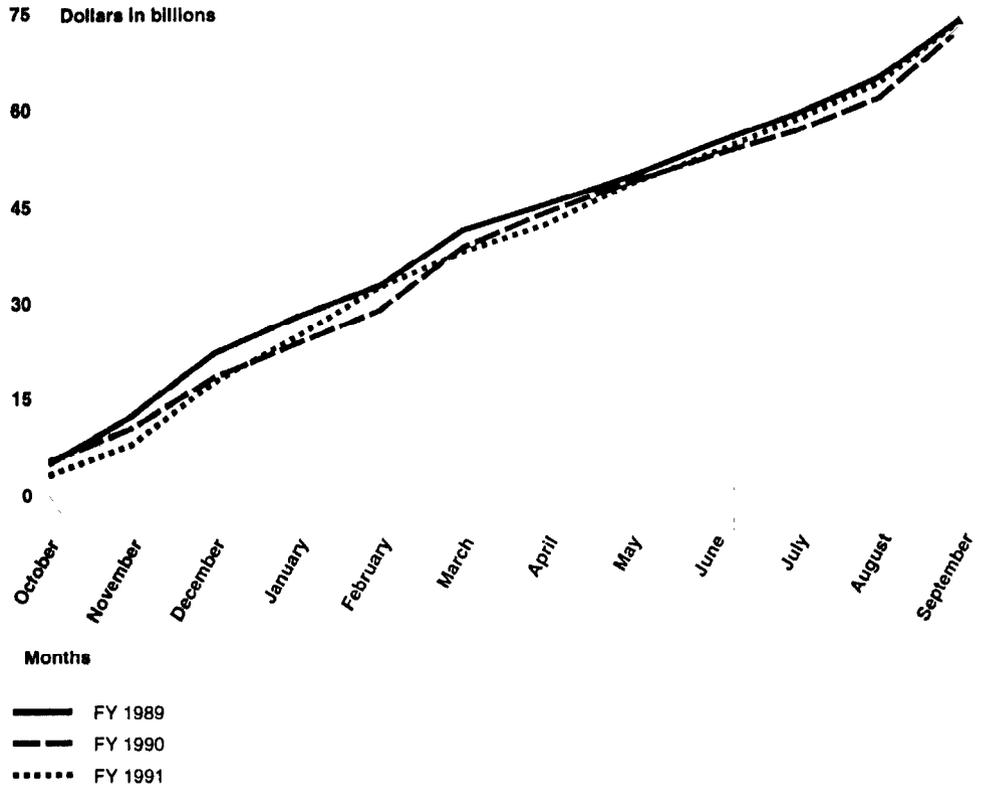
Background

Operations Desert Shield and Desert Storm produced one of the largest and most rapid military buildups in history. Over one-half million U.S. servicemen and women were deployed to Saudi Arabia, requiring military supply systems to provide enormous amounts of material to support them. DLA alone responded to over two million supply requisitions, valued at over \$3.4 billion, in support of these operations. The military buildup for Operations Desert Shield and Desert Storm took place from mid-August 1990 through February 1991.

Analysis of DOD-Wide Procurements

Our analysis of DOD procurements during the last 3 fiscal years showed that procurements in 1991 increased over 1990 but were slightly lower than 1989 procurements. Figure 1 shows that there was very little difference in procurement levels during fiscal years 1989, 1990, and 1991.

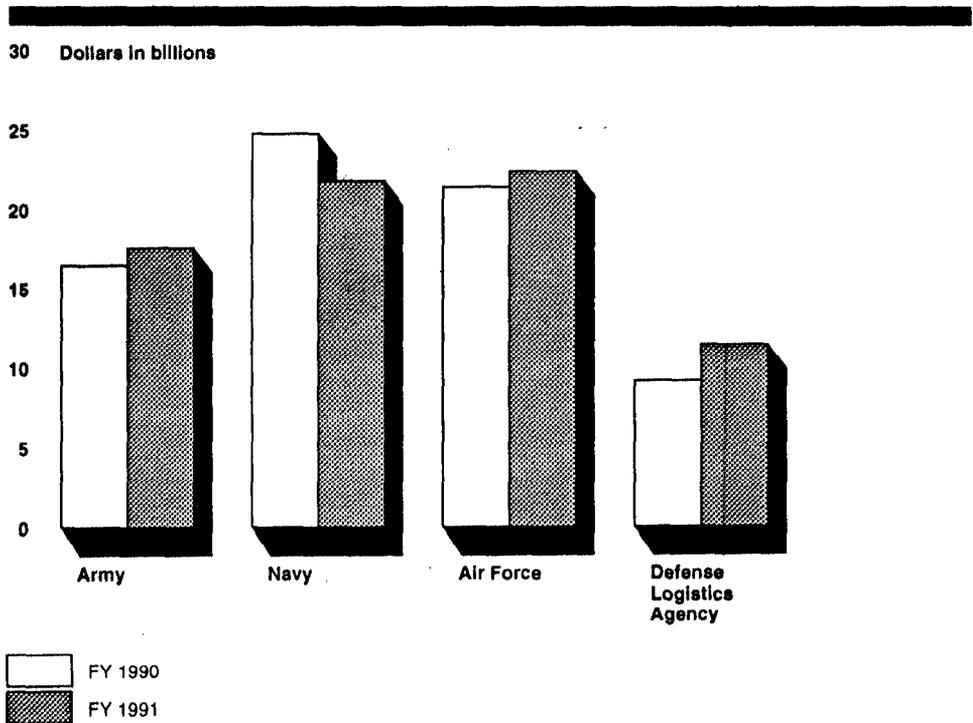
Figure 1: Cumulative Monthly DOD Procurements, Fiscal Years 1989, 1990, and 1991



Source: DOD DD 350 System.

The increase from 1990 to 1991 was the net effect of small overall military service decreases and a larger DLA increase. Military service procurements declined from \$62.5 billion to \$61.5 billion, or 1.6 percent, while DLA's procurements increased from \$9.1 billion to \$11.4 billion, or 24.7 percent. Figure 2 compares military service and DLA procurements.

Figure 2: Military Service and DLA Procurements, Fiscal Years 1990 and 1991

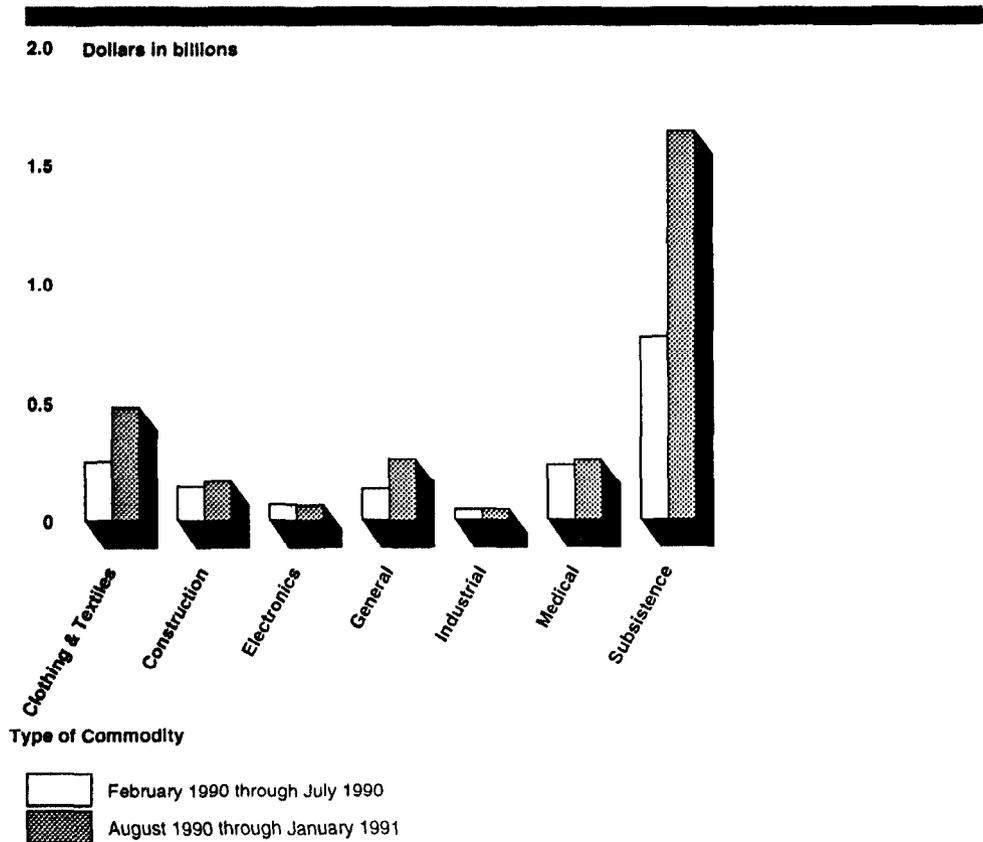


Source: DOD DD 350 System.

Analysis of DLA Procurements

The increases in DLA's procurements were influenced by commodities related to Operations Desert Shield and Desert Storm. The largest increases were for subsistence, clothing, medical, and general supply items. DLA procurements increased by about \$1.3 billion, or 102 percent, in the 6 months after the invasion of Kuwait—which occurred on August 2, 1990—compared to the 6 months before. Figure 3 compares procurements for DLA commodities during the two 6-month periods.

Figure 3: DLA Procurements Before and After the Invasion of Kuwait



Source: DLA DD 350 system data base.

Subsistence Procurements

DLA subsistence procurements increased by \$961 million, or 165 percent. Most of these procurements were for troop support items rather than for commissary resale items. The large increase in subsistence is attributable to items needed to support the troops in the Persian Gulf. DLA's subsistence procurements for troop support increased from \$223 million in the 6 months before the invasion of Kuwait to \$1.2 billion in the 6 months after the invasion, an increase of 419 percent. DLA's procurements for items for military commissary resale, on the other hand, increased by \$26 million, from \$360 million to \$386 million, or about 7 percent.

DLA's Meals Ready to Eat (MRE) were the largest troop support item procured during the 12 months ending with January 1991. MREs accounted for about \$536 million, or 39 percent, of \$1.4 billion in troop support

procurements. MRE procurements increased significantly during Operations Desert Shield and Desert Storm, from \$6.1 million in the 6 months before the invasion of Kuwait to \$529 million during the 6 months after the invasion. The largest single subsistence contract action was \$87 million for the purchase of MRE meats.

Clothing and Textiles Procurements

Clothing and textiles increased by \$231 million, or 93 percent. The largest procurement of a single item was for chemical protective suits, which accounted for \$115 million of \$879 million obligated for clothing and textiles. Chemical protective suits were in short supply before the invasion of Kuwait. In April 1992, we reported that long-standing shortages of this item were the result of several factors, including the Defense Personnel Support Center's inability to find manufacturers capable and willing to produce suits at a price it is willing to pay and the failure of manufacturers to meet delivery schedules.²

Procurements of extreme cold weather clothing were \$47.6 million. This was for an ensemble, including a parka, trousers, shirt, underwear, bib overalls, and a hooded knit cap, which is new to the inventory.

Procurements of desert clothing were \$28.1 million. All desert clothing was procured after the invasion of Kuwait.

Officials at the Defense Personnel Support Center told us that the procurements of items needed to support the Persian Gulf war were greater than the contract statistics would indicate. At that Supply Center, for example, contracts initially written for jungle camouflage clothing were modified to provide clothing for desert use. Such modifications would not be reflected in the data we cited.

Medical Supply and Equipment Procurements

Medical supply and equipment procurements increased by \$44 million, or 23 percent. About \$108 million, or 26 percent, of the \$424 million spent for medical supplies was for a wide range of drug and pharmaceutical items. The \$108 million was split almost equally between the 6 months before and 6 months after the invasion. During the 12-month period \$46 million was spent to procure X-ray equipment. We were told that the

²Operation Desert Storm: DOD Met Need for Chemical Suits and Masks, But Longer Term Actions Needed (GAO/NSIAD-92-116, April 7, 1992).

X-ray equipment was being procured to upgrade equipment at existing facilities.

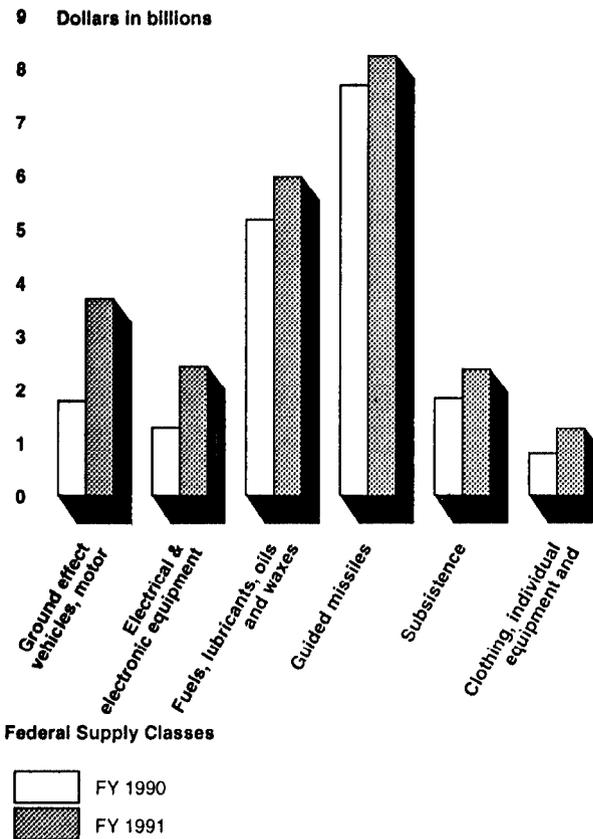
Industrial Supply Procurements

Industrial supply procurements increased by \$6 million, or 17 percent. About \$26.7 million, or 47 percent more, was spent for various types of cable, rope, and wire and about \$8.3 million, or 16 percent more, was spent for various types of nuts, bolts, and rivets.

Review of Procurements by Federal Supply Class

We compared procurements of the 78 supply classes (at the 2-digit level) for the fiscal years ending in September 1990 and 1991. Of the 78 classes, procurements increased in the second fiscal year for 48, or 61.5 percent. Figure 4 shows the federal supply classes with the six largest increases.

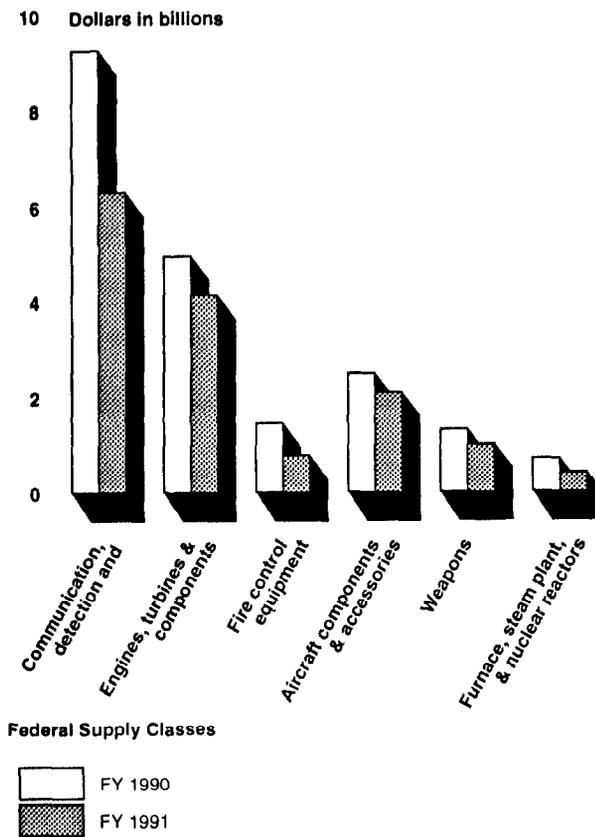
Figure 4: Federal Supply Class Increases



Source: DOD DD 350 System.

Figure 5 shows the federal supply classes with the six largest decreases in procurements between the two periods.

Figure 5: Federal Supply Class Decreases



Source: DOD DD 350 System.

Scope and Methodology

We analyzed DOD-wide and DLA procurement data obtained from DOD's Individual Contracting Action Reporting System (DD 350). The DD 350 data base captures the dollar value of funds obligated for all procurement actions over \$25,000. Obligations are not expenditures of funds and, in some cases, procurements may have later been canceled in part or in total. The DOD-wide data was for the 24 months beginning with July 1989 and ending with June 1991. We used DOD-wide data to analyze procurements at the 2-digit federal supply class level. However, DLA provided data for the 5,000 line items with the highest dollar value contract obligations during

the 12 months beginning with February 1990 and ending with January 1991. This data did not include procurement of fuels. We also reviewed procurements of specific items at DLA's Personnel Support and Industrial Supply Centers in Philadelphia, Pennsylvania. Our work was done from February 1991 to May 1992 in accordance with generally accepted government auditing standards.

We did not obtain written agency comments; however, we did discuss a draft of this report with DOD and DLA officials, who generally agreed with our findings. They pointed out several areas that needed clarification and we have incorporated their suggestions in this report.

We plan no further distribution of this report until 10 days after its issue date unless you publicly announce its contents earlier. At that time, we will send copies of the report to the Chairmen of the Senate and House Committees on Appropriations and to the Secretary of Defense.

If you or your staff have any questions concerning this report please call me on (202) 275-8412. Appendix I contains a list of major contributors to this report.

Sincerely yours,



Donna M. Heivilin
Director, Logistics Issues

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