

DOCUMENT RESUME

06360 - [E1666698]

[Improvements Needed in Army's Care of Supplies in Storage Program]. LCD-78-227; B-161507. June 13, 1978. 8 pp.

Report to Secretary, Department of the Army; by Robert G. Rothwell (for Fred J. Shafer, Director, Logistics and Communications Div.).

Issue Area: Facilities and Material Management (700).

Contact: Logistics and Communications Div.

Budget Function: National Defense: Department of Defense - Military (except procurement & contracts) (051).

Organization Concerned: Department of Defense.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services.

Authority: Army Regulation 740-3.

The basic objectives of the Army's Care of Supplies in Storage (COSIS) program are to assure that the true condition of material is continuously known and recorded, that accurate resource requirements are established, and that material is maintained in a readiness condition to meet supply demands. The COSIS program applies to both general supplies and ammunition. Although the 1975 Army regulation that established the COSIS program stipulated it as a separate and distinct program, it has not been handled that way in practice. Neither headquarters nor depots had overall management reports summarizing program accomplishments and problems. One problem the Army has had is relating program accomplishments to budget requests. The inability to show whether program objectives have been attained has caused reductions in program funding requests. COSIS functions of inspections, care and preservation, and equipment exercising are not being carried out completely or accurately. As a result, the true condition of material is not known, and it is not being maintained in a state of readiness. COSIS can be a viable program, but it needs to be better managed and executed. The Secretary of the Army should adopt measures to better manage the COSIS program and take corrective actions to make sure that various COSIS functions are properly accomplished. (RRS)



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

LOGISTICS AND COMMUNICATIONS
DIVISION

B-161507

June 13, 1978

The Honorable
The Secretary of the Army

Dear Mr. Secretary:

We have been studying the Army's Care of Supplies in Storage (COSIS) program. We identified several needed improvements in the overall program management and the accomplishment of program objectives.

Our work was done at Defense and Army headquarters; the Army Materiel Development and Readiness Command; the Army Depot Systems Command; and Anniston and New Cumberland Army Depots.

PROGRAM HISTORY

In 1955, the military services and other Defense components developed a comprehensive joint manual on storage and materials handling. One chapter discussed the care of supplies in storage. The Army supplemented the joint manual by publishing technical manual 743-200-1.

During the Southeast Asia conflict, depots emphasized receiving and shipping material. However, with the phase-down of armed conflict, material moved through the depots more slowly, necessitating greater emphasis on long-term care and storage.

In May 1974, the Army Audit Agency issued a summary report on weaknesses in the Army's Care of Supplies in Storage program. The report concluded that the program had not been fully implemented, and where implemented was not effective.

Partly as a result of that report, the Army formalized the program in July 1975 under Army Regulation No. 740-3. The regulation states that the basic objectives are to assure that the true condition of material is continuously known

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and recorded, that accurate resource requirements are established, and that material is maintained in a readiness condition to meet supply demands.

PROGRAM MAGNITUDE

The COSIS program applies to both general supplies and ammunition. General supplies--everything the Army uses except ammunition--includes such items as weapons, electronics, clothing, test equipment, and vehicles.

In fiscal year 1977, the Army spent \$19 million on COSIS--\$12.1 million on ammunition and \$6.9 million on general supplies. The approved program plan for fiscal year 1978 is \$14.1 million, but the Army does not break down this amount between the two categories.

Our study focused on general supplies, although we did some work on overall program management. We concentrated on general supplies because we had previously reported on aspects of the care of ammunition in storage in our report entitled "Stockpile of Lethal Chemical Munitions and Agents--Better Management Needed," (LCD-77-205, Sept. 14, 1977).

In fiscal year 1977, the COSIS program was applicable to 746,327 general supply line items valued at \$11 billion and stored at 17 wholesale depots in the continental United States. The related amounts at the two depots we visited are shown below.

| <u>Depot</u> | <u>Number of line items</u> | <u>Value</u> (billions) |
|----------------|---------------------------------|----------------------------|
| Anniston | 33,000 | \$1.0 |
| New Cumberland | 171,000 | 1.2 |

The New Cumberland depot, which stocks only general supplies, spent \$922,000 on COSIS in fiscal year 1977. The Anniston depot, which stocks both general supplies and ammunition, had COSIS-expenditures amounting to \$381,000 and \$1.2 million, respectively. The expenditures were for inspections, care and preservation, and packing and packaging.

BETTER MANAGEMENT NEEDED

Although the 1975 Army regulation established the COSIS program as a separate and distinct program, it was not being handled that way in practice. This has caused management problems.

Neither headquarters nor depots had overall management reports summarizing program accomplishments and problems. One problem the Army always has had is relating program accomplishments (e.g., improved material readiness) to budget requests.

The inability to show whether program objectives have been attained has caused reductions in program funding requests. For example, a DOD budget analyst told us that the fiscal year 1977 program request was reduced by \$6 million for this reason.

Another problem results from COSIS having a lower priority than receiving, shipping, and inventory control. Therefore, COSIS program funds are continually reprogrammed among the various depots or other activities within a depot. As an example, the Anniston and New Cumberland depot allocations from the Depot Systems Command were amended 38 and 24 times, respectively, during fiscal year 1977.

The fragmentation of the COSIS program was particularly evident at the depot level. The various COSIS functions at the depots visited were divided between two separate directorates--supply and quality assurance. The Directorate of Supply was responsible for preservation, packaging, and equipment exercising, and the Directorate of Quality Assurance was responsible for inspection.

No COSIS program director or other individual at either depot was responsible for managing, evaluating, and reporting on the total program or keeping abreast of such things as costs, accomplishments, problems, and future needs. Each depot had a program coordinator as required by the 1975 Army regulation. However, they served essentially as liaisons and did not have any decisionmaking responsibilities. The liaison function was carried out part time and was included in their overall duties in the Directorate of Supply.

Statistical information on the various functions was not compiled in an overall COSIS report. Instead, it was

reported separately by COSIS function and included in the Depot Operations Cost and Performance Report prepared by the Depot Systems Command from individual depot input.

This computer-generated report was not always accurate. For example, the information on inspection backlogs reported by the New Cumberland depot was inaccurate for the first three quarters of fiscal year 1977. Because of this unreliability, the depot is now reporting backlog based on a manual record of inspections due and completed.

COSIS FUNCTIONS ARE NOT BEING ACCOMPLISHED

The COSIS functions of inspections, care and preservation, and equipment exercising are not being carried out completely or accurately. Consequently, the true condition of the material is not known and it is not being maintained in a readiness state.

Inspections

Long periods sometimes elapse between when material is received at a depot and when it is shipped out to a user. Cyclic inspections are made to assess the material's condition in the interim.

These inspections are quality assurance examinations to determine serviceability, detect deterioration, and provide data for condition reclassifications. Frequency of cyclic inspection of individual items depends on such things as the degree of risk, characteristics of the material, and type of storage.

Items scheduled for inspection are included in monthly computer lists prepared from depot input. For each item, the listings contain such information as the stock number, nomenclature, physical location, type of storage, condition code, last inspection date, and shelf-life expiration date.

At the Anniston and New Cumberland depots, the monthly inspection schedules contained many errors. These errors included wrong condition codes, inaccurate stock locations, incorrect or missing dates of last inspection, and wrong or missing expiration dates on shelf-life material.

We accompanied inspectors at the depots while they made monthly cyclic inspections on selected stocks. Shown below are the numerous deficiencies we noted at the locations visited:

| | <u>Anniston</u> | <u>New Cumberland</u> |
|---|-----------------|-----------------------|
| Locations examined | 63 | 48 |
| Discrepancy: | | |
| Condition code on stock record did not represent the true condition of the stock | 30 | 10 |
| No stock at the location | 8 | 17 |
| Stock at the location should not have been inspected because it had been inspected the month before | 29 | 19 |
| Shelf-life stock at the location had no expiration date or an incorrect date | 23 | 22 |

In some instances, the applicable Storage Serviceability Standards (inspection criteria) to be used by the inspectors were missing, incorrectly used, or outdated.

There is a large inspection backlog. During fiscal year 1977, inspectors at the New Cumberland depot made 8,331 inspections--1,470 cyclic inspections and 6,861 special inspections. However, at yearend, there was a backlog of 5,394 cyclic inspections and 76 special inspections. Apparently, the large number of special inspections causes slippages in cyclic inspections. Special inspections result from customer complaints or commodity command directions. They sometimes eliminate the need for cyclic inspections.

We also found that required periodic evaluations of the effectiveness and accuracy of inspections, which consist of rechecks of selected items, were not being made.

Care and preservation

The COSIS program provides for minor repair, preservation, packaging, and packing while in storage to assure that material is maintained in an issuable condition. Very little of this activity was being carried out under the program.

During the first three quarters of fiscal year 1977, the only care and preservation the Anniston depot did was to correct minor deficiencies on 24 vehicles that were being prepared for shipment but were later returned to storage. Similarly, the New Cumberland depot made only 25 preservation and packaging actions during fiscal year 1977 as a result of cyclic inspections.

Depot officials told us that although very little COSIS-related care and preservation is being done, the backlog is being reduced by upgrading the material at shipment time. Headquarters officials state that this results in piecemeal upgrading, increased costs, and decreased readiness.

Equipment exercising

The COSIS program provides for exercising mechanical devices on vehicles and major equipment. Exercising involves operating functional mechanisms to distribute lubricants or preservatives over surfaces lubricated by normal operation.

An exercising program had not been conducted at New Cumberland for the last 2 years. There was a similar situation at the Anniston depot regarding wheeled vehicles. Depot officials stated that no exercising was required because most of the wheeled vehicles were in controlled humidity storage. However, the applicable storage serviceability standard prescribes an exercise interval of 180 days for such vehicles.

The work done at the Anniston depot was concerned with exercising recoil mechanisms and purging range finders on armored vehicles. However, we were unable to determine from existing records whether this work was being done as frequently as required or whether charges to the COSIS program were valid.

The records contained numerous inaccuracies. Field logbooks disagreed with the data on labor and production cards used to accumulate COSIS costs. Charges were made to the COSIS program for some days when no activity was entered in the field logbooks. In one case, two armored vehicles entered on the logbook as being exercised on a certain date had been moved to maintenance before that date. In other cases, exercising and purging incident to shipping were charged to the COSIS program.

CONCLUSIONS

COSIS can be a viable program but it needs to be better managed and executed. Although the Army calls COSIS a separate program, in many ways it is not managed that way.

The Army can improve its management by treating COSIS as a more structured program. Some of the factors to be covered would include:

- Setting goals and objectives and seeing that they are met.
- Preparing overall narrative and statistical reports to summarize accomplishments and problems at both the headquarters and depot levels.
- Designating full-time program managers at the depots with decisionmaking authority that crosses directorate lines.
- As a partial alternative to program managers, expanding the role of the program coordinators to require them to bring together information on all COSIS-related activities and keep abreast of such things as costs, problems, and future needs.

The Army should also improve the actual accomplishment of the various COSIS functions. Inspections, care and preservation, and equipment exercising all can be carried out more completely and accurately. Unless improvements are made, there is no assurance that the true condition of the material is known or that the material is being maintained in a readiness state.

RECOMMENDATIONS

We recommend that the Secretary of the Army:

--Adopt measures to better manage the COSIS program including consideration of the factors discussed herein.

--Take corrective actions to make sure the various COSIS functions are properly accomplished.

As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

AGENCY COMMENTS

We obtained Army officials' informal comments on this report. They generally agreed with our observations, and cited resource limitations as the basic reason for not properly executing the program.

They stated that certain corrective actions have already been initiated. They are developing a statistical presentation from depot data which will attempt to relate COSIS resources to program accomplishments. They are also making inquiries at the depots to determine reasons for not properly carrying out the COSIS functions.

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We are sending copies of this report to the Director, Office of Management and Budget; the Secretary of Defense; and the chairmen of the appropriate congressional committees.

Sincerely yours,



for Fred J. Shafer
Director