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GAO

United States General Accounting Office  
Washington, DC 20548

Logistics and  
Communications  
Division

B-197630

FEBRUARY 28, 1980

The Honorable Clifford L. Alexander, Jr.  
The Secretary of the Army

Dear Mr. Secretary:

Subject: [Regulations On War Reserve Material Not  
Followed } LCD-80-40)

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We recently completed a study of the use of secondary war reserve material to satisfy peacetime operating requirements. We made our study at the Army Troop Support and Aviation Materiel Readiness Command (TSARCOM). We identified three areas where regulations were not followed.

- War reserve assets were used to fill low-priority, peacetime requisitions.
- War reserve assets used to satisfy peacetime operating requirements were not replaced in a timely manner.
- War reserve funds were used to supplement peacetime operating funds.

WAR RESERVE ASSETS USED TO FILL LOW-PRIORITY, PEACETIME REQUISITIONS

Contrary to regulations, over 25 percent of the peacetime requisitions filled with war reserve material were low priority.

Various Defense, Army, and command regulations authorize using war reserve assets to satisfy urgent peacetime operating requirements, provided such use is minimized and stringently controlled. Army Regulation 710-1 and Army Materiel Development and Readiness Command (DARCOM) Regulation 710-3 provide that war reserve assets can only be used to fill high-priority requisitions containing issue priority designators 1 through 8.

When we began our study TSARCOM did not have summary data showing the extent that war reserve stocks were used to

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satisfy peacetime requirements. However, it was working on a project to extract this type of information from electronic data processing files. As a result of this project, TSARCOM issued a war reserve utilization report for the period from March 20, 1979, to October 23, 1979.

According to the report, TSARCOM filled 2,305 requisitions with war reserve assets valued at \$15.3 million. Our analysis showed that 25 percent (586) of these requisitions were for low-priority, peacetime requirements with issue priority designators 9 through 15.

#### WAR RESERVE ASSETS NOT PROMPTLY REPLACED

War reserve stocks used to fill peacetime requisitions were not always replaced in a timely manner.

DARCOM Regulation 710-3 established a goal of 120 days for replacing war reserve stocks used to satisfy peacetime requirements. In analyzing the war reserve utilization report, we were able to readily identify war reserve stocks valued at \$716,000 that had not been replaced in 120 days.

The number of days to replace the stock was not precisely determined. However, we did ascertain that the average was at least 167 days, which represents the average difference between the date the stocks were issued and the end of the period covered by the war reserve utilization report.

#### WAR RESERVE FUNDS ARE IMPROPERLY SUPPLEMENTING PEACETIME OPERATING FUNDS

The peacetime operating funds saved by using war reserve assets were not always reinvested in war reserve requirements. As a result, war reserve stock was used to supplement TSARCOM's peacetime obligational authority.

DARCOM Regulation 710-3 provides that peacetime operating funds conserved by using war reserve assets to satisfy peacetime requirements must be reinvested in war reserve requirements to maintain the war reserve asset level. Manual blotter records are to be maintained to record funds conserved by using war reserve assets.

In October 1979, TSARCOM reported to DARCOM that conserved funds amounted to \$1,639,068 in fiscal year 1979. We found that

at least \$1,237,080 of this amount did not represent conserved funds, which would reduce the total to \$401,988. A TSARCOM official stated that the excessive amount of war reserve stocks issued (\$15.3 million from March 20, 1979, to October 23, 1979) and the low dollar value of conserved funds reported quarterly (a total of about \$255,000 for the third and fourth quarters of fiscal year 1979) indicated that the manual blotter records were not maintained properly.

#### CONCLUSIONS AND RECOMMENDATIONS

The three areas of weaknesses identified in our study demonstrate a need to strengthen management controls. During our review, we brought our findings to the attention of TSARCOM officials and in November 1979 the chief, stock fund section, sent a memorandum to the director for material management highlighting the results of the war reserve utilization report. The chief emphasized that (1) war reserve assets be used only for high-priority requisitions, (2) every effort be made to replace war reserve stocks within 120 days, and (3) transactions be recorded in blotter records when appropriate so that war reserve asset levels can be maintained.

The corrective actions initiated by TSARCOM should be very helpful; however, we are concerned that the problems may recur. One of the primary reasons for our concern is that the war reserve utilization report is a special report and is not prepared regularly. As a result, there is no ready means of monitoring the use of war reserve assets on a continuing basis.

We recommend that you have the Commanding General of DARCOM

- require TSARCOM to either continue to prepare war reserve utilization reports or adopt alternative measures which will ensure that the weaknesses have been corrected,
- bring our findings to the attention of the other DARCOM commodity commands and have them determine if similar problems exist, and
- continually monitor the use of war reserve assets at all commodity commands to ensure that such usage is only for urgent requirements and is stringently controlled.

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We discussed this report with DARCOM officials. They generally agreed with our findings and recommendations.

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 House Committee on Government Operations and the Senate Committee on Governmental Affairs 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.

Copies of this report are being sent to the Director, Office of Management and Budget; the Secretary of Defense; and the chairmen of the appropriate congressional committees.

Sincerely yours,

  
R. W. Gutmann  
Director