

**REPORT TO
THE CONGRESS OF THE UNITED STATES**

**REVIEW OF MANAGEMENT
WITHIN
THE DEPARTMENT OF THE AIR FORCE
OF
REPLACEMENT EQUIPMENT**



**BY
THE COMPTROLLER GENERAL OF THE UNITED STATES**

JUNE 1961



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON 25

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Honorable Sam Rayburn
Speaker of the House of Representatives

Dear Mr. Speaker:

Enclosed is our report on review of management within the Department of the Air Force of replacement equipment subject to the Air Force Unit Authorization List (UAL) reporting system. This review was made for the purpose of examining into the effectiveness and efficiency of Air Force management of such equipment.

Our review disclosed that millions of dollars' worth of replacement equipment was needlessly purchased in fiscal year 1960 because the Air Force does not have an effective means of knowing the quantity and location of the equipment it already owns. Our review was limited to about 1 percent of the items and 12 percent of the value of the \$2.8 billion inventory reported. In this review we established that about \$164 million worth of the items selected for examination had been previously procured but was neither included by using organizations in the inventory reports used in computing the requirements nor otherwise accounted for.

On the basis of our review, we estimated that over \$6.7 million worth of replacement equipment purchased in fiscal year 1960 could have been avoided, and requirements for another \$20.8 million, on which procurement was deferred principally for lack of funds, could have been eliminated had the Air Force maintained effective control over the equipment procured and received in the supply system. For example, in our selected review of family grouping 6115AALW--generator set, we found that 852 sets, valued at approximately \$14 million, were not accounted for in reported inventory data. At organizations visited, our review disclosed that eight generator sets which should have been reported were not included in the UAL data used by the Sacramento Air Materiel Area (SMAMA) in the fiscal year 1960 computation. The computation made by SMAMA showed a buy requirement for fiscal year 1960 of 266 units. As no adjustment was made for the 852 unaccounted-for assets, and purchase of 101 units was deferred, procurement action was initiated for an additional 165 units at an estimated cost of \$2.8 million. Had the Air Force maintained effective control over the units procured and received into the supply

system, there would not have been 852 unaccounted-for units, and a sufficient number of such units should have been available for use so that procurement of the additional 165 units at an estimated cost of \$2.8 million would have been unnecessary while requirements for another 101 units at an estimated cost of \$1.7 million could have been eliminated.

Since our review was very limited, we are of the opinion that there are substantially more unaccounted-for equipment and substantially more unnecessary procurement than we estimated on the basis of our findings.

We brought our findings and conclusions to the attention of agency officials. In a letter dated January 23, 1961, the Assistant Secretary of the Air Force (Materiel) agreed, generally, that the products of the Air Force UAL system are incomplete and inaccurate and do not adequately support the Air Materiel Command in the computation of equipment procurement requirements. The Assistant Secretary informed us of a number of actions already taken and others proposed which in the opinion of the Air Force should materially alleviate the deficiencies in UAL reporting that now exist.

The success of the actions taken, as well as those planned, is largely prospective in nature and their effectiveness will depend upon the manner in which they are carried out. Accordingly, we are not prepared to say whether the actions taken and planned by the Air Force will successfully overcome the serious and widespread problems observed by us.

In subsequent reviews of Air Force supply management activities, we plan to make further inquiries into the Air Force's management of replacement equipment and the effectiveness of the proposed improvement program.

This report is also being sent to the President of the Senate. Copies are being sent to the President of the United States, the Secretary of Defense, and the Secretary of the Air Force.

Sincerely yours,



Comptroller General
of the United States

Enclosure

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REPORT ON REVIEW
OF MANAGEMENT
WITHIN
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REPLACEMENT EQUIPMENT

The General Accounting Office has made a review of management within the Department of the Air Force of replacement equipment subject to the Air Force Unit Authorization List (UAL) reporting system. This review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67). The purpose of our review was to examine into the effectiveness and efficiency of Air Force management of such equipment. The scope of our review is described on page 43.

INTRODUCTION

Replacement equipment, consisting of such items as airplane ground handling equipment, test equipment, shop machinery, and generators, is equipment which has a long service life, does not lose its identity during periods of use, and is generally not incorporated as a component into other units. It is in itself capable of performing a function in support of individual Air Force organization missions. Approximately 50,000 items of the 1.5 million items in the Air Force supply system are classified as replacement equipment items, and requirements are calculated on the basis of authorizations and asset inventories. This equipment constitutes an integral part of the Air Force supply system

managed by the Air Materiel Command (AMC) with headquarters at Wright-Patterson Air Force Base, Ohio. AMC is now known as the Air Force Logistics Command.

Headquarters, AMC, manages a logistics system including nine Air Materiel Areas (AMAs) and three Air Force Depots in the United States, as well as overseas logistic installations. World-wide logistics management for assigned classes of property is the responsibility of the AMAs and depots in the United States. Logistic management includes the determination of world-wide requirements, procurement, distribution and redistribution, repair and overhaul, the determination of excesses, and disposal.

The Unit Authorization List reporting system is the medium by which world-wide authorizations and inventory data of replacement equipment items have been periodically collected and used by the Air Force since 1952 as the basis for determining the equipment requirements, procurements, and issues necessary to support Air Force activities. The UAL is a document listing quantities of replacement equipment which are authorized for individual Air Force units and for which the units should account. Authorizations for Air Force units are established through the use of allowance documents which prescribe the types and quantities of items that Air Force units require to perform their mission. Authorizations established on equipment allowance documents are reviewed and, when approved through command review activities, are included in the organizational UAL. These lists cover about 80 percent of all Air Force replacement equipment requirements. The other 20 percent comprises the equipment required to support the Air National Guard

activity, the Military Assistance Program, the War Reserve Materiel requirements, and special one-time requirements.

In fiscal year 1955, the Air Force established a family grouping program to obtain the maximum utilization of replacement equipment in the computation of requirements and the distribution of usable assets. Under this program the 50,000 replacement items have been classified into 15,330 family groupings on the basis of being functionally interchangeable or substitute items capable of rendering the same or comparable performance for a given requirement.

The using organization has the responsibility of maintaining its UAL so that it will show only those items and quantities of replacement equipment needed to perform its mission. It also has the responsibility of adding to or deleting from its UAL such items and quantities as may be necessary because of changes in organization composition and mission. In addition, it is required to keep a record of the quantity and location of all items for which the organization is accountable, until turned in for reissue or condemnation or until otherwise disposed of, and to make an annual reconciliation of these items with a physical inventory taken prior to each September 30 cutoff date. Although the UAL itself is not an accounting list, the quantities for which an organization is responsible are periodically transferred to the UAL and these figures, together with the latest authorizations, make up the organization's report used in requirements computations and for redistribution purposes.

The major and intermediate commands have the responsibility of reviewing organizational UALs, approving UAL change requests

submitted by organizations for revision of UALs, conducting on-the-spot surveys of organizational equipment and property records, and exercising over-all management control of the UAL system. Each major air command maintains punched accounting machine cards or magnetic tapes for the items shown on its organizations' UALs. The commands accumulate the organizational UAL data by stock number showing the quantities authorized and the quantities reported by its organizations. These data are submitted to the AMC electronic data processing (EDP) center for consolidation and inclusion with other data submitted by AMA inventory managers for use in computing requirements. These computations are made annually at AMC installations between March and June from the data contained in the September 30 UALs of the preceding year.

The commands also have the responsibility of establishing controls to assure that the distribution and use of equipment assets by their organizations are approved and accurately reported and that assets in excess of organizational needs are promptly and properly redistributed. Using organizations are required by Air Force regulations to turn in excess material to base supply for redistribution to other organizations on the base having unfilled requirements. Base supply by matching turned-in assets against requisitions on hand determines redistribution on the base. The command directs redistribution of excesses, not distributed by base supply, to the command's units located at other bases. Excesses not redistributed by commands and bases are to be returned to depot stock for redistribution by AMC to organizations of other commands in need of such excesses.

At the EDP center the consolidated UAL data received from the various major air commands are edited in an attempt to insure that authorizations and equipment data for all using organizations have been reported and that any improperly identified and unrelated reported data have been eliminated from processing. The EDP runs of edited data are submitted to the appropriate AMA inventory managers for review and correction prior to incorporation with other data in the mechanical computation of requirements. Final requirements computations are also reviewed by the inventory managers and, after such adjustment as may appear to be necessary, are used as a basis for procurement actions as well as other actions at the commodity depots, Headquarters, AMC, and Headquarters, United States Air Force (USAF).

Each level of command in the reporting cycle is responsible for the validity of the data it receives and transmits. At successive levels within the using commands vested with managerial control of UALs, the screening of data is accompanied by management reviews to make certain that the listed items and quantities are actually required and are being fully utilized. However, in these reviews the responsibility of the inventory managers at the AMAs for the accuracy of the UAL data is limited to editing the consolidated data for completeness and realism but does not include review to determine the validity of reporting on the part of individual organizations. Since the authorizations and inventory data reported by the using organizations are essential in the computation of procurement requirements for replacement equipment,

incomplete and inaccurate reporting by these organizations can result in unnecessary procurement of replacement equipment or in procurement of insufficient quantities to accomplish the assigned missions of the using organizations.

In fiscal year 1960, the Air Force authorized the procurement of approximately \$210 million worth of replacement equipment and at September 30, 1958, the cutoff date for the UAL data used in the computation of that year's requirements, had a reported inventory of over \$2.8 billion. Approximately 70 percent of this inventory was in the hands of the using organizations which have the responsibility of accounting for the equipment until it is turned in for reissue or for condemnation. Our review, while limited to less than 1 percent of the number of replacement family groupings, included about 12 percent of the total dollar amount of the reported inventory.

The names of policy-making and other interested principal officials of the Department of Defense and the Department of the Air Force during the period of this report are listed in appendix V.

HIGHLIGHTS

Millions of dollars' worth of replacement equipment was needlessly purchased during fiscal year 1960 because the Air Force did not have an effective means of knowing the quantity and location of replacement equipment it already owned. Lack of this information also resulted in the failure to supply items of equipment required in that year to support Air Force organizations. Very limited tests by us have established conclusively that substantial quantities of equipment actually on hand at Air Force organizations at September 30, 1958, were omitted from inventory reports used to determine procurement requirements for fiscal year 1960. Our review was limited to about 1 percent of the 15,330 family grouping items and about 12 percent of the value of the inventory reported. This review disclosed that about \$164 million worth of these items had been previously procured but were neither included by using organizations in the inventory reports used in computing requirements nor otherwise accounted for.

In order to determine whether significant amounts of the unreported and unaccounted-for \$164 million worth of equipment were actually available, and whether the failure to report this equipment resulted in actual overprocurement, we visited 645 of the more than 6,700 reporting organizations. At these organizations we found that over \$9 million worth of equipment on hand, of the items we were testing, had not been reported to inventory managers. Had these items at these organizations been considered, procurement would have been reduced by more than \$1 million.

We estimated that, had the \$164 million worth of unaccounted-for assets at these and other organizations been properly reported and considered in computing fiscal year 1960 requirements, purchases of over \$6.7 million could have been avoided. In addition, we estimated that, if these unaccounted-for assets had been properly reported and considered, the requirements computed for fiscal year 1960 could have been further reduced by \$20.8 million. These overstated requirements had not resulted in overprocurement principally due to a lack of funds.

Since our review covered only 12 percent of the \$2.8 billion inventory of replacement equipment reported, we believe that there is substantially more unreported equipment than the \$164 million disclosed in our review and that there is substantially more unnecessary procurement included in the \$210 million authorized for fiscal year 1960 than the estimated \$6.7 million of purchases that could have been avoided with respect to the items we tested.

(See pp. 13 to 22.)

The overstatement of replacement equipment requirements, as well as the needless procurements that result therefrom, can be attributed primarily to an almost complete reliance upon a system of reporting assets on hand in relation to authorizations without the necessary inventory controls designed to assure the completeness and reliability of the data reported. In this system of reporting, management is also without the appropriate authority needed to exercise proper control of the equipment that is reported, including excess equipment available for redistribution. There is no central

point or points where records of units procured for and shipped to using organizations are accumulated and controlled. Without such central control, it becomes virtually inevitable that deficiencies in reporting will occur which will go undetected because reconciliations cannot be made between units reported and those for which using organizations should account. Without such reconciliations there can be no assurance of the accuracy of the reports or of the underlying records upon which the data are based.

Typical of the weaknesses that can occur in a system of reporting without adequate managerial and inventory controls over the data reported was a general failure on the part of persons at all levels directly concerned with the operation of the UAL system to perform in accordance with prescribed procedures, and we found that this failure contributed to the incompleteness and unreliability of the reported data. We found also that excess equipment, which had been included in inventory reports, was sometimes retained by the using organizations for unreasonable periods of time before it was made available for redistribution. (See pp. 23 to 34.)

The Air Force has been aware of the general failure of all levels to perform in accordance with prescribed procedures since the UAL system was put into effect in 1952 but has been unsuccessful in its efforts to substantially improve conditions. At the time of our review, the principal attempts at resolving the problems involved in managing replacement equipment had been directed to changing and refining the methods of processing the data furnished by the using organizations rather than to eliminating the basic deficiencies in UAL reporting. (See pp. 35 and 36.)

We believe that the ultimate effectiveness of any UAL inventory system necessarily will be dependent upon (1) the capability of reliable property records, which are reconciled with annual physical inventories and maintained under appropriate managerial controls, to provide management with adequate and accurate knowledge of the quantity and location of all replacement equipment in the UAL system, (2) the complete understanding of the objectives of the system at all supervisory levels by those persons responsible for processing the basic data upon which the system depends, at least of those phases for which they have responsibility, and a realization by these persons of the effect that deviations from the established procedures have on the management of replacement equipment, (3) an Air Force-wide emphasis by all commands on accuracy, and on maximum compliance with the procedures established by AMC and Headquarters, USAF, which must base important management decisions on the data submitted, and (4) the solution by the Air Force of its basic problem of poor reporting discipline. (See pp. 37 to 39.)

In commenting on our findings and conclusions, the Assistant Secretary of the Air Force (Materiel) agreed, generally, that the products of the Air Force UAL system are incomplete and inaccurate and do not adequately support the Air Materiel Command in the computation of equipment procurement requirements. The Assistant Secretary informed us of a number of actions already taken and others proposed which in the opinion of the Air Force should materially alleviate the deficiencies in UAL reporting that now exist.

Subsequently at a conference which was arranged at our request, USAF officials expressed complete agreement with our conclusions, stating that they also had recognized that centralized managerial control is essential to proper management, and had included in the planned improvements a project designed to provide improved management and control of the "USAF Equipment-Allowance-Authorization-Reporting Program." We were advised that this project calls for (1) the establishment of a Central Equipment Management Office at each base and the internal and external audit techniques necessary to insure the validity of data reported, (2) the standardization of equipment review and authorization activities at base and command levels and refinement of allowance and authorization procedures, and (3) more effective direction and control of the program by USAF and the Air Force Logistics Command.

The success of the actions taken, as well as those planned, is largely prospective in nature and their effectiveness will depend upon the manner in which they are carried out. Air Force officials estimate that about 12 to 18 months will be needed for proper evaluation of the results of the centralized management project. Accordingly, we are not prepared to say whether the actions taken and planned by the Air Force will successfully overcome the serious and widespread problems observed by us. The Air Force's official comments on its proposed improvement program are expressed in such general terms that they do not clearly identify the Air Force's position and intentions as to whether its program will include recognition of the basic features which we have described as essential to provide reasonable assurance of success in overcoming

the serious weaknesses disclosed in our examination. We believe these features to be of such fundamental importance that they should be made unmistakably clear to avoid misunderstanding by those responsible for devising the detailed program and implementing it.

In subsequent reviews of Air Force supply management activities, we plan to make further inquiries into the Air Force's management of replacement equipment and the effectiveness of the proposed improvement program. (See pp. 39 to 42.)

FINDINGS AND AGENCY COMMENTS

SUBSTANTIAL UNNECESSARY PROCUREMENTS DUE TO LACK OF KNOWLEDGE OF EQUIPMENT ALREADY OWNED

Millions of dollars' worth of replacement equipment was needlessly purchased during fiscal year 1960 because the Air Force did not have an effective means of knowing the quantity and location of replacement equipment it already owned. Lack of this information also resulted in the failure to supply items of equipment required to support Air Force organizations. Very limited tests by us have established conclusively that substantial quantities of equipment actually on hand at Air Force organizations at September 30, 1958, were omitted from inventory reports used to determine procurement requirements for fiscal year 1960. Our review was limited to about 1 percent of the 15,330 family grouping items and about 12 percent of the value of the inventory reported. This review disclosed that about \$164 million worth of these items had been previously procured but were neither included by using organizations in the inventory reports used in computing requirements nor otherwise accounted for.

In order to determine whether significant amounts of the unreported and unaccounted-for \$164 million worth of equipment were actually available, and whether the failure to report this equipment resulted in actual overprocurement, we visited 645 of the more than 6,700 reporting organizations. At these organizations we found that over \$9 million worth of equipment on hand, of the items we were testing, had not been reported to inventory managers.

Had these items at these organizations been considered, procurement would have been reduced by more than \$1 million.

We estimated that, had the \$164 million worth of unaccounted-for assets at these and other organizations been properly reported and considered in computing fiscal year 1960 requirements, purchases of over \$6.7 million could have been avoided. In addition, we estimated that, if these unaccounted-for assets had been properly reported and considered, the requirements computed for fiscal year 1960 could have been further reduced by \$20.8 million. These overstated requirements had not resulted in overprocurement principally due to a lack of funds.

Since our review covered only 12 percent of the \$2.8 billion inventory of replacement equipment reported, we believe that there is substantially more unreported equipment than the \$164 million disclosed in our review and that there is substantially more unnecessary procurement included in the \$210 million authorized for fiscal year 1960 than the estimated \$6.7 million of purchases that could have been avoided with respect to the items we tested.

We reviewed 130 family groupings of equipment items for which total known procurement had exceeded \$636 million. We found that the reported inventory used in the fiscal year 1960 requirements computations for these 130 family groupings was only \$337 million, or a decrease from total known procurement of over \$299 million. Air Force records disclosed that about \$135 million of this decrease could be attributed to normal losses to the system, such as condemnations, disposals, or shipments to nonreporting activities such as Mutual Security Program countries. Thus, \$164 million

worth, or more than 25 percent, of the equipment procured and received into the supply system was not accounted for by reported UAL and other inventory data and was lost from the control of inventory managers for requirements computations and for distribution purposes.

The inventory data reported through the UAL system are generally considered by the Air Force to be so inaccurate and unreliable as to require considerable refinement and clarification. Inventory managers are authorized by AMC instructions to adjust reported inventories, when appropriate, on the basis of personal experience and knowledge. However, our tests showed that such adjustments have not precluded serious overstated requirements and unnecessary purchases.

The effect of adjusting reported inventory data, to account for quantities which have been procured but not reported, is a reduction in the quantity that must be bought to meet current requirements. Such adjustments presume that the additional unreported assets are available and can be located and used to meet existing demands.

On the other hand, the use of unadjusted inventory information ignores the acknowledged inadequacies in the reported data and has the effect of failing to offset current requirements with assets which have already been procured and delivered. We have estimated that, just with respect to the items we examined, procurements costing over \$6.7 million which were initiated in fiscal year 1960 might have been avoided if assets in the system had been accurately reported or if inventory managers had adjusted the

reported inventory data to approximate total prior procurement less known losses. However, our recognition that these adjustments might have avoided the unnecessary procurement of substantial amounts of replacement equipment already in the system should not be construed to mean that we sanction this method, or any other method, of arbitrarily adjusting reported inventories. Such adjustments necessarily could not be regarded by us as an adequate substitute for realistic adjustments based on actual knowledge derived through the maintenance of reliable records and the exercise of proper inventory control. In addition to inducing needless waste and extravagance through the unnecessary procurement of equipment already in the system, an inability to locate equipment otherwise available for use could seriously impair the discharge of the mission responsibilities of a unit needing but not supplied with the equipment.

Appendix I shows for each of the 130 family groupings selected for review (1) the unit procurement cost based on the unit price used in the fiscal year 1960 computation, (2) the number of units procured prior to fiscal year 1960, (3) losses recognized for those units furnished to nonreporting activities or lost through condemnation and disposal, (4) the number of units reported as actually on hand, (5) the number and cost of the units unaccounted for in the system, (6) the adjustment made by the inventory managers for unaccounted-for units, (7) the unit requirements for fiscal year 1960, (8) the number of units procured in fiscal year 1960, (9) the number and cost of those units which were unnecessarily procured in fiscal year 1960, (10) the number

and cost of those unprocured fiscal year 1960 unit requirements that could have been eliminated, and (11) the number and cost of those units which we found at the 645 using organizations we visited.

Following are examples which are typical of what our review disclosed with respect to the items in appendix I and which illustrate the impact of lack of inventory control and of inaccurate reporting on the management of replacement equipment in terms of substantial avoidable procurement or incapability of meeting the needs of using activities.

1. Family grouping 6115AA1W--generator set
(appendix I, line 65)

Within this family grouping, 852 generator sets, valued at approximately \$14 million, were not accounted for in reported inventory data. At organizations visited, our review disclosed that eight generator sets which should have been reported were not included in the UAL inventory data used by Sacramento Air Materiel Area (SMAMA) in the fiscal year 1960 computation. The computation made by SMAMA showed a buy requirement for fiscal year 1960 of 266 units. As no adjustment was made for the 852 unaccounted-for assets, and purchase of 101 units was deferred, procurement action was initiated for an additional 165 units at an estimated cost of \$2.8 million.

Had the Air Force maintained effective control over the units procured and received into the supply system, there would not have been 852 unaccounted-for units, and a sufficient number of such units should have been available for use so that procurement of the additional 165 units at an estimated cost of \$2.8 million

would have been unnecessary while requirements for another 101 units at an estimated cost of \$1.7 million could have been eliminated.

2. Family grouping 4520AF1A/B--gas/electric heater
(appendix I, line 76)

Within this family grouping, 2,665 gas/electric heaters, valued at more than \$4 million, were not accounted for in reported inventory data. At organizations visited, our review disclosed that 269 heaters recorded as on hand at September 30, 1958, were not included in the UAL inventory data used by the Mobile Air Materiel Area (MOAMA) in the fiscal year 1960 computation. The computation made by MOAMA resulted in a buy quantity for fiscal year 1960 of 830 units. As no adjustment was made for the 2,665 unaccounted-for heater units, and purchase of 430 units was deferred, 400 additional units were procured at an estimated cost of \$707,000. There were approximately 380 unfilled orders on hand at the time that procurement action was initiated.

Had the Air Force maintained effective control over the heaters procured and received into the supply system, there would not have been 2,665 unaccounted-for units, and a sufficient number of such units should have been available for use so that procurement of the additional 400 units at an estimated cost of \$707,000 could have been avoided while requirements for another 430 units at an estimated cost of \$760,000 could have been eliminated. Moreover, the 380 unfilled orders also could have been satisfied from existing assets.

3. Family grouping 6115AA1X--generator set
(appendix I, line 46)

Within this family grouping we found that 5,687 generator sets had been procured prior to fiscal year 1960 at an estimated cost of \$64 million but that only 4,825 units had been accounted for by reported inventory data used in the fiscal year 1960 requirements computation. After allowance for losses through condemnations and for assets furnished to nonreporting activities, there remained 531 units valued at approximately \$5.8 million which were not accounted for. At organizations visited, our review disclosed that 100 units, on hand as at September 30, 1958, were not included in the UAL inventory data furnished for the fiscal year 1960 computation.

The fiscal year 1960 computation of requirements by the inventory manager, after adjustment, resulted in a buy quantity of 27 units, the procurement of which was deferred.

Although substantial additional procurement was avoided in this case by adjustment of reported data, had the Air Force maintained sufficient control over the units procured and received into the supply system, this equipment could have been redistributed to satisfy numerous unfilled orders.

4. Family grouping 6625A01I--oscilloscope
(appendix I, line 45)

At Dayton Air Force Depot (DAFD) there were unfilled requisitions for over 1,500 oscilloscopes, although the fiscal year 1960 requirements computation showed that excess oscilloscopes were in the supply system. The 5,911 units reported as total assets exceeded the total computed requirement by 547 units. In addition,

3,616 units, previously procured but unaccounted for by reported inventory data, could not be readily located for redistribution. DAFD supply officials, while aware of the missing assets, did not know their location and attributed the situation to deficiencies in the UAL reporting system, particularly to the failure of using activities to report all assets in their possession. At organizations visited, our review disclosed that 202 oscilloscopes recorded as on hand at the UAL cutoff date of September 30, 1958, were not included in the UAL inventory data furnished to DAFD for the fiscal year 1960 computation.

In fiscal years 1958 and 1959, the situation was similar in that many unfilled orders were on hand while the computations showed that excess assets were in the supply system. Moreover, in fiscal year 1958, DAFD procured 303 oscilloscopes costing approximately \$300,000 to meet unfilled orders on hand or anticipated even though reported assets exceeded requirements by 829 units. Had the Air Force knowledge of the location of the excess units in the system to permit their redistribution, the unfilled orders of the using activities could have been satisfied and the expenditure of about \$300,000 in fiscal year 1958 could have been avoided.

5. Family grouping 4310AA1G--air compressor
(appendix I, line 67)

Within this family grouping, 544 compressors, valued at approximately \$725,000, were not accounted for in reported inventory data. At organizations visited, our review disclosed that 24 compressors on hand at September 30, 1958, were not included in the UAL inventory data used in the fiscal year 1960 requirements

Had the Air Force maintained effective control over the units procured and received into the supply system, there would not have been 46 unaccounted-for test stands, and such units should have been available for use so that only 9 units would have been required to support the full fiscal year 1960 computed requirement for 55 units and the expenditure of about \$717,000 for 33 units could have been avoided. Moreover, the deferred purchase requirement of 13 units would not have been necessary.

Overstated requirements and resultant overprocurements
due primarily to deficiencies in UAL reporting system

The overstatement of replacement equipment requirements, as well as the needless procurements that result therefrom, can be attributed primarily to an almost complete reliance upon a system of reporting assets on hand in relation to authorizations without the necessary inventory controls designed to assure the completeness and reliability of the data reported. In this system of reporting, management is also without the appropriate authority needed to exercise proper control of the equipment that is reported, including excess equipment available for redistribution.

There is no central point or points where records of units procured for and shipped to a using organization are accumulated and controlled. Without such central control, it becomes virtually inevitable that transfers between using organizations, or other changes in accountability, such as losses or turn-ins, will go unrecorded; that individual pieces of equipment will be omitted from periodic inventory reports; or that other deficiencies in reporting will occur which will go undetected because reconciliations cannot be made between units reported and those for which the using organizations should account. Without such reconciliations there can be no assurance of the accuracy of the reports or of the underlying records upon which the data are based.

Typical of the weaknesses which can occur in a system of reporting without adequate managerial and inventory controls over the data reported was a general failure on the part of persons at all levels directly concerned with the operation of the UAL system

to perform in accordance with prescribed procedures. Deficiencies existed at the organizational level and at the major command level. These deficiencies contributed to the incompleteness and unreliability of the reported data and included (1) the improper maintenance of property records by using organizations, (2) the failure of over 700 out of more than 6,700 reporting units to submit any UAL reports, (3) the failure of organizations to take the required physical inventories of equipment on hand, (4) the failure to process UAL change requests, and (5) the issuance of instructions by major commands in conflict with established procedures, resulting in the omission of excess equipment from inventory reports and the use of unauthorized cutoff dates for reporting UAL data.

In addition, we found that excess equipment, although included in the inventory data reported to AMC, was sometimes retained by the using organizations for unreasonable periods of time before it was made available for redistribution, apparently because there was no central manager with authority to control and order the turn-in of such equipment to base supply or its redistribution to such using organizations as might be in need of the equipment.

Improper maintenance of property records

We found that property records were improperly maintained at many of the organizations visited and in some instances property record cards were not established for equipment on hand. Improper maintenance of property records, which is indicative of a lack of proper managerial as well as inventory control, resulted in submission of inaccurate UAL data.

In discussing inaccurate reporting with officials in the organizations visited, lack of qualified personnel was cited as an important contributing factor. These officials agreed that without qualified people the UAL reporting system could not produce accurate data for use in requirements computations. Unit commanders said that they were aware of the importance of accurate UAL reporting and in most cases agreed to take action necessary to improve organizational reporting.

Failure of organizations to submit UAL reports

Air Force records disclosed that 782 organizations failed to submit required UAL data for use in determinations of equipment requirements for the fiscal year 1960. Thus, the inventory managers, lacking requisite managerial authority and control over the assets in the system, did not know how much equipment was required, how much equipment was in the supply system, or where it was located.

During our base visits we identified 32 of the 782 organizations that failed to submit UAL reports for the fiscal year 1960 requirements computation cycle. Of these 32 organizations, 7 had equipment items within the family groupings selected for our review. The amount of property in these groupings which had not been reported by the 7 organizations totaled over \$240,000.

Personnel at the bases we visited gave us various reasons for not submitting UAL reports used in computing the fiscal year 1960 requirements. The most common was that the organization was receiving new-type equipment at the time the UAL report was due and supply personnel were too busy to complete the report. Another reason given was that the organization was transferred from one

base to another and did not have time to make the report. At the time of our review, AMC officials were aware that a number of organizations had not reported UAL data for the fiscal year 1960 requirements computation cycle, and they were taking follow-up action to obtain reports from these organizations.

The Assistant Secretary advised us that a new procedure was subsequently adopted in July 1960 which he believes will provide positive assurance that all organizations submit required reports.

Failure to physically inventory equipment on hand

Air Force instructions covering the preparation of the annual UAL report direct that a physical inventory of material on hand will be taken at least once each year. However, we found that many organizations had not taken an inventory during the year preceding September 30, 1958, and had relied solely on their property record cards for accountable asset data. This practice, again evidencing the absence of proper managerial control, resulted in the submission of inaccurate asset data for use in the fiscal year 1960 computations.

For example, in a maintenance squadron, we found 16 gasoline heaters valued at \$63,000 which had not been reported because they were not shown in the property record cards. We found also a fighter interceptor squadron carrying 11 generators on the property record under the wrong stock number. Since the squadron did not take an inventory, this error was not discovered and \$122,000 worth of generators were reported in its UAL report under the wrong stock number. As a result, the asset quantities used in the

requirements computations for two different generator items were in error--one overstated, the other understated.

Failure to process UAL change requests

The failure of the Air Defense Command (ADC) and the organizations under its jurisdiction to process change requests revising UAL inventory data has resulted in the nonreporting of millions of dollars' worth of replacement equipment to the inventory managers. The following examples of such failures illustrate a typical weakness in a reporting system that is without adequate property records and appropriate accounting controls.

ADC maintains a record of authorizations and accountable assets of each organization under its jurisdiction. Prior to the established annual UAL reporting date of September 30, ADC forwards to each organization for updating and verification a listing of its authorization and the equipment for which it is accountable. The organizations then update and revise these data by showing corrections on the listings or by submitting change requests to show the actual quantities authorized and on hand as of September 30. If the organizations fail to submit these changes, or if ADC fails to promptly record them, the data submitted to the inventory managers for use in requirements determinations and distribution will be neither current nor accurate.

In an ADC fighter interceptor squadron, we found 36 units of equipment from our selected list of items which were not on the organization's September 30, 1958, UAL report. This same equipment, valued at about \$216,000, was not included on the organization's UAL a year later because the squadron did not amend the UAL

listings nor submit the necessary UAL change request. In the same squadron, we found a flight simulator, valued at \$457,000, which had been unreported for the same period of time. Squadron supply personnel told us there were so many changes in the UAL that they did not have time to process the required change requests.

A review of other ADC fighter interceptor squadrons disclosed that many items of equipment were on hand but had not been included in unit UAL reports. We were informed by unit supply personnel that, although much of the equipment had been reported on UAL change requests for as long as 9 months, command headquarters had not processed the change requests and, thus, the equipment had not been included in the UAL reports. We found that similar situations existed in other types of squadrons.

ADC officials told us that at one time there was a backlog of 13,000 UAL change requests awaiting processing at Statistical Services, Headquarters, ADC, and that this could account for the delay in including data on the change requests in UAL reports. We were informed that processing change requests at ADC division level rather than at command level would eliminate the backlog of change requests.

In commenting on this finding, the Assistant Secretary of the Air Force (Materiel) stated that the change request procedure only applied to changes in equipment authorizations and had no impact on asset reporting. In this instance, however, we found that ADC had devised its own change request form and, at the time of our review, ADC organizations were using the change request as a

means of reporting changes in both authorizations and assets. This is another instance where the lack of effective managerial control made possible an unauthorized departure from established Air Force procedures.

Issuance of instructions by major commands
contrary to established procedures

The issuance of instructions by major commands contrary to established UAL procedures prevented the proper functioning of the system and further illustrates the need for improvement in the authority and control that inventory managers are able to exert under the existing reporting system. The instructions provided for the omission of excess equipment from reported inventories and for the use of unauthorized cutoff dates for reporting UAL data.

1. Omission of excess equipment
from inventory reports

Our review disclosed that many organizations did not include in their UAL reports assets held in excess of their authorizations. Thus, inventory managers did not know of the existence or location of large quantities of equipment which were available for redistribution to organizations with valid needs.

Instructions issued by the Air Defense Command for preparation of the September 30, 1957, UAL report provided that quantities of assets held in excess of authorized quantities were not to be reported. For the September 30, 1958, UAL report, ADC instructions were not clear on the reporting of excess quantities. Consequently, supply personnel in many ADC units operated under the same procedures they followed in September 1957 and did not report excesses on the September 30, 1958, UAL report. For example, we

found that, although 1 fighter interceptor squadron had on hand 28 excess units of 8 different types of equipment valued at \$103,000, none of the excess equipment appeared on the command's consolidated report for September 30, 1958. The situation was worsened by the failure of many organizations to report any quantity of an item if an excess was on hand. In some cases organizations accurately reported the excess quantities but the reports were reduced at command level. In other cases we were told that excesses were not reported because they were to be turned in in the near future.

We noted also that instructions issued by the Continental Air Command (CONAC) for the preparation of the 1958 UAL report were similar to those of ADC, in providing that quantities of assets held in excess of authorizations were not to be reported.

By directing organizations to omit the reporting of excesses, the major air commands show a complete lack of understanding of the fundamentals of the UAL system. Failure to report organizational excesses not only prevents redistribution of needed equipment within the command, or to organizations in other commands, but also defeats the basic purpose of the system by invalidating the reported data on the basis of which the accuracy of the requirements computation depends. Adopting such reporting procedures makes the UAL system unreliable as the basis for requirements computations and redistributions. The understatement of available assets results in the overstatement of requirements and in useless purchases, a waste which could be avoided if proper managerial control were an integral part of the reporting system.

We discussed this problem with Air Force officials at various levels. They agreed that, if organizational units failed to report excesses, the commodity managers' ability to redistribute material and compute valid requirements was substantially affected. Personnel at ADC informed us that it was not the intent of the 1958 UAL instructions to omit the reporting of excesses and they were not aware that these instructions had been misunderstood at the organization level.

2. Unauthorized cutoff dates used for reporting UAL data

The Air Force has established September 30 as the cutoff date for the annual reporting of UAL asset data for requirements computations. However, we found that Headquarters, Tactical Air Command (TAC), issued a regulation on August 12, 1958, which provided for the segregation of its organizations into three groups with each group reporting UAL data on a different cutoff date.

Housekeeping organizations were instructed to report as of September 30, 1958, while aircraft mission units and supporting elements for mission aircraft were to report as of August 31 and October 31, 1958, respectively. As a result, in the case of mission unit organizations, assets received after August 31, even though on hand at September 30, the authorized cutoff date, were erroneously omitted from the UAL data reported by such organizations, while assets on hand at August 31, but redistributed or otherwise disposed of between then and September 30, were erroneously included in the reported data. Conversely, in the case of supporting mission unit organizations, assets on hand at October 31, even

though not received until after September 30, were erroneously included in the UAL data reported by such organizations, while assets on hand at September 30, but redistributed or otherwise disposed of between then and October 31, were erroneously excluded from the reported data.

Headquarters, TAC, on June 26, 1959, issued identical instructions for preparation of the September 30, 1959, UAL report. These UAL data were to be used in the fiscal year 1961 requirements determinations.

The use of unauthorized cutoff dates for reporting UAL data, in the absence of any adjustment, adversely affects the validity of the yearly requirements computation which necessarily is dependent on the accuracy of the reported inventory data used in making the computation. This is one of the weaknesses inherent in an uncontrolled reporting system.

In order to prevent recurrence of this reporting deficiency in the fiscal year 1961 computations, we brought this matter to the attention of AMC in September 1959. AMC immediately notified TAC as well as other command headquarters that September 30 was the only cutoff date authorized for reporting UAL data. Headquarters, TAC, revised its instructions to comply with the September 30, 1959, reporting date.

Retention of reported excesses
for unreasonable periods of time

At a number of organizations, we found that quantities of equipment excess to needs as of the September 30, 1958, UAL reporting date, although included in the inventory data reported by

using organizations to AMC, were retained for unreasonable periods of time thereafter. In some instances, excesses were unnecessarily retained by the using organizations for over a year before such material was turned in to base supply and made available for redistribution to other Air Force command organizations which had requirements for the excess equipment.

For example, on September 30, 1958, a bomb squadron located at an overseas base had an excess of six generators costing \$11,000 each. The six generators were held by the squadron until November 1959, at which time they were turned in to base supply. During the period of retention, another squadron located at the same overseas base was authorized 15 of these generators but had none on hand.

In another instance, we found that a flight line maintenance squadron located at a base within the United States had on September 30, 1958, an excess of 30 maintenance platforms costing \$300 each. The squadron transferred 17 platforms to other squadrons but still had 13 excess units on hand a year later while another squadron at the same base had a requirement for 24 maintenance platforms. In addition, the inventory manager had numerous unfilled requisitions on hand during this period.

While Air Force regulations require using units to turn in excess material, unit supply officials furnished various explanations for not promptly turning in excess equipment to base supply or making such material available to other organizations. In some cases, we were informed that supply personnel were so busy with

more urgent matters that they did not get around to making up an excess listing or turning in the excess equipment.

Unit commanders and supply personnel with whom we discussed the prolonged retention of excesses stated that the practice deprived other organizations of needed equipment. In most instances, they informed us that the necessary action would be taken for the turn-in of such excess equipment.

We believe that the retention of reported excesses for unreasonable periods of time is due to the lack of a central manager with authority to control and order the turn-in of excess equipment or its redistribution to using organizations that need the equipment.

Air Force awareness of deficiencies in the UAL system and plans for improving its effectiveness

The reliability and validity of UAL data have been a matter of concern to the Air Force since the UAL system was established in 1952. Each year, substantially the same errors in the reporting of authorizations and assets held by the using organizations have been called to the attention of the commands at Air Force-wide UAL conferences. For instance, at the 1958 UAL conference, an example of inaccurate reporting of assets was cited wherein over \$6 million worth of type H-1 heaters was not reported in the prior year's UAL reports. The commands were informed that, in some instances, bases reported authorizations but did not report assets; in other instances, assets equal to authorizations were reported but excess assets were not reported; and, in still other instances, some bases did not report either authorizations or assets.

Again, at the last Major Command UAL Committee Meeting held in April 1960, USAF and AMC officials stressed the poor quality of data reported in the September 30, 1959, UAL and advised of the undesirable and often embarrassing position in which the USAF staff was placed in defending budget estimates based upon erroneously reported inventories.

The USAF Inspector General also has stated that UAL reporting is inaccurate and that discrepancies in the UAL system are manifested at all levels of command and include the failure of commanders and supervisors at all echelons to screen UAL reports to assure accuracy.

We found that Air Force officials at the depot level have been aware of the inadequacies in the UAL reporting system caused

by activities' not reporting assets and that from time to time actions have been taken to locate and redistribute excess and unreported assets, in order to alleviate serious short supply positions. Individual stock item surveys at Air Force commands and bases have been instituted by inventory managers for items of major significance when it was known that assets were not properly reported. For example, a special inventory covering 100 selected items of test equipment was made to obtain excess assets to satisfy unfilled orders at Dayton Air Force Depot. This inventory resulted in the recovery and redistribution of over \$4 million worth of equipment. Other special projects within the Air Force have resulted in the recovery and redistribution of substantial quantities of unreported material.

Although aware of its serious problems in managing replacement equipment, our findings indicate that the Air Force at the time of our review had not provided the needed centralized managerial control over the recording and reporting of replacement equipment inventories and had been otherwise unsuccessful in substantially improving the basic deficiencies existing in UAL data reporting. Aside from calling attention to inaccuracies and deficiencies in reporting at annual UAL conference and committee meetings, we found that the principal attempts at improvement had been directed to changing and refining the methods of accumulating, processing, and interpreting the data furnished by the various organizations.

Conclusions

We believe that the overstatement of replacement equipment requirements, as well as the needless procurements that result therefrom, can be attributed primarily to an almost complete reliance upon a system of reporting assets on hand in relation to authorizations without the necessary supporting inventory records and controls designed to assure the completeness and reliability of the data reported. In this system of reporting, management is also without the appropriate authority needed to exercise proper control over the equipment that is reported, including excess equipment available for redistribution.

There is no central point or points where records of units procured for and shipped to using organizations are accumulated and controlled. The validity of the procurement requirements computed each year necessarily must be dependent upon the accuracy of reported inventory data, on the basis of which the annual computations are made. Where there is no central accumulation and control of the data, we believe it becomes virtually inevitable that deficiencies in reporting will occur which will go undetected because reconciliations cannot be made between units reported and those for which using organizations should account. Without such reconciliations there can be no assurance of the accuracy of the reports or of the underlying records upon which the data are based.

We believe also that the deficiencies we found are due in large part to typical weaknesses of a reporting system without adequate centralized managerial and inventory control of the data reported, including (1) the lack of systematic management of what

the system presently produces, (2) the failure of persons at all levels directly concerned with the operation of the UAL system to comply with the established procedures, (3) the lack of an effective means by which inventory managers can identify unacceptable performance by individual organizations upon which to initiate corrective action, and (4) the lack of managerial authority to control equipment excess to needs and order the return of such equipment to stock or its redistribution to organizations that need the equipment.

The need for improvement in property inventorying, accounting, reporting, and management at all levels is confirmed by the results of a special test conducted by the Air Force during 1957. When especially close management control was exercised on four selected replacement items (one compressor and three models of aircraft engine trailers), more than \$1 million worth of previously unreported compressors and trailers was found and reported to inventory managers.

In our opinion, the ultimate effectiveness of any UAL inventory system necessarily will be dependent upon (1) the capability of reliable property records, which are reconciled with annual physical inventories and maintained under appropriate managerial controls, to provide management with adequate and accurate knowledge of the quantity and location of all replacement equipment in the UAL system, (2) the complete understanding of the objectives of the system at all supervisory levels by those persons responsible for processing the basic data upon which the system depends, at least of those phases for which they have responsibility, and a

realization by these persons of the effect that deviations from the established procedures have on the management of replacement equipment, (3) an Air Force-wide emphasis by all commands on accuracy, and on maximum compliance with the procedures established by AMC and Headquarters, USAF, which must base important management decisions on the data submitted, and (4) the solution by the Air Force of its basic problem of poor reporting discipline.

We brought our findings and conclusions to the attention of agency officials. We proposed (1) that the Air Force take a world-wide inventory of replacement equipment to provide a firm basis for establishing accurate UAL records, (2) that the Secretary of the Air Force resolve the basic problem of nonperformance by emphasizing to all commands the importance of accurate UAL data and by vigorous policing action at all levels to assure that the UAL records be maintained accurately and in accordance with established procedures, and (3) that inventory managers be provided with an effective means of identifying unacceptable performance by individual organizations upon which to initiate corrective action.

General comments by the Air Force

In a letter dated January 23, 1961 (see appendix II), the Assistant Secretary of the Air Force (Materiel) stated that the Air Force agrees, generally, that the products of the Air Force UAL system are incomplete and inaccurate and do not adequately support the Air Materiel Command in the computation of equipment procurement requirements. The Assistant Secretary informed us of a number of actions already taken and others proposed which in the opinion of the Air Force should materially alleviate the deficiencies in UAL reporting that now exist. These corrective actions are

directed principally toward initiating a world-wide inventory of selected items from which to establish accurate inventory records, emphasizing the importance of UAL data, and accomplishing vigorous policing actions at all levels of commands. Included in the planned improvements was Project FAST (Futuristic Automated Support Technique) which the Assistant Secretary described as "a comprehensive system centralizing data management of organizational equipment at Air Force bases and AMC depots."

Subsequently, at a meeting with USAF officials, arranged at our request, we reiterated our belief that, on the basis of the conditions disclosed by our examination, proper management of replacement equipment cannot be based on information which places major reliance on periodic reporting of needs and assets without the necessary supporting records and controls to assure the completeness and reliability of such reports. On the contrary, for effective management, the reports necessarily must be based on a system of property records which are reconciled with annual physical inventories and maintained under suitable managerial controls designed to assure the accuracy and reliability of those records and to enable an effective check on the completeness and reliability of reporting to higher management levels. The system must also include effective means and top-management support to assure that weaknesses in the system so identified are corrected promptly and that failures to observe its requirements receive vigorous management attention.

Air Force officials expressed complete agreement with us and advised that, in their later reevaluation of Project FAST, they too had concluded that the project did not go to the heart of the

problem and that centralized managerial control was essential to proper management. Accordingly, Project FAST was abandoned and replaced with Project GRASP which, we are advised, has been designed to do what Project FAST would not do. Project GRASP was a study made by a selected "USAF Group for Reevaluation of Authorization Systems and Policies."

In a second letter dated May 5, 1961 (see appendix III), the Assistant Secretary stated that Project GRASP was established "to analyze and evaluate the current equipment authorization and requirements systems in the Air Force with a view towards improving the accuracy of equipment assets reporting and validity of authorizations." The study disclosed that "continuity of equipping operations and adequate management and surveillance are wholly dependent upon effective top level direction and control and a greater standardization of program components." In a letter dated March 29, 1961, the recommendations in the GRASP report which, we are told, "constitute the approved Air Force policy for the improved management and control of the USAF Equipment Allowance-Authorization-Reporting Program," were sent to Headquarters, AMC [now the Air Force Logistic Command (AFLC)] for implementation. The Assistant Secretary advises that these recommendations include:

- "(a) the establishment at each base of a Central Equipment Management Office which will maintain at one location complete and current authorization-asset reporting records. ***;
- "(b) the establishment of internal and external audit techniques to insure accuracy and validity of data reported. ***;
- "(c) ***;

"(d) the more effective direction and control of the program by USAF and AFLC;

"(e) the standardization of functions and operations of Equipment Review and Authorization Activities (ERAA) at base and command level and the refinement of certain allowance and authorization procedures."

* * * * *

The success of the actions taken, as well as those planned, is largely prospective in nature and their effectiveness will depend upon the manner in which they are carried out. Air Force officials, while informing us that Project GRASP was not a new system but rather a modernization of the existing system, were of the opinion that about 12 to 18 months will be needed for the proper evaluation of the results of the GRASP recommendations. Accordingly, we are not prepared to say whether the actions taken and planned by the Air Force will successfully overcome the serious and widespread problems observed by us. The Air Force's official comments on its proposed improvement program are expressed in such general terms that they do not clearly identify the Air Force's position and intentions as to whether its program will include recognition of the basic features which we have described as essential to provide reasonable assurance of success in overcoming the serious weaknesses disclosed in our examination. We believe these features to be of such fundamental importance that they should be made unmistakably clear to avoid misunderstanding by those responsible for devising the detailed program and implementing it.

In subsequent reviews of Air Force supply management activities, we plan to make further inquiries into the Air Force's management of replacement equipment and the effectiveness of the proposed improvement program.

SCOPE OF REVIEW

Our review, which was completed in August 1960, covered approximately 650 replacement equipment items in 130 family groupings out of 50,000 items belonging to 15,330 family groupings in the supply system. At four Air Force commodity depots, we reviewed requirements computations for fiscal years 1957 through 1960 and other related records. At 37 Air Force bases within the United States and overseas and under the jurisdiction of the various major air commands, we conducted a review of UAL reports and property records of 645 out of more than 6,700 organizations and made physical inventories to determine whether or not assets had been reported. We examined into the causes for failure to accurately report assets on hand in UAL reports. We also discussed UAL reporting procedures at Headquarters, AMC, and Headquarters, ADC, and consolidation practices and procedures at the AMC electronic data processing center at Memphis, Tennessee. A schedule of those organizations visited or contacted during our review is summarized in appendix IV.

APPENDIXES

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LIST OF FAMILY GROUPINGS OF REPLACEMENT EQUIPMENT ITEMS
COVERED DURING GENERAL ACCOUNTING OFFICE REVIEW

APPENDIX I
Page 1

Family grouping - primary item	Procurement prior to fiscal year 1960				Unaccounted-for units		Air Force inventory adjustment after fiscal year 1960 unit re-requirements		Units procured in fiscal year 1960	Unnecessary fiscal year 1960 procurements		Unprocured fiscal year 1960 requirements that could have been eliminated		Unaccounted-for units found by GAO as 54% using operations	
	Unit cost (note a)	Total units	Unaccounted-for losses (note b)	Units actually reported	Quantity	Amount	Quantity	Amount		Units	Amount	Units	Amount	Quantity	Amount
1. 66250011 tester, capacitor	784	1,083	72	649	362	\$ 281,808	362	\$ 274	274	0	0	0	0	26	\$ 20,384
2. 66250011 tester, capacitor	1,495	63	65	437	130	\$ 225,390	108	\$ 178	18	0	0	0	0	1	\$ 1,495
3. 66250011 tester, pressure, transducer	2,600	635	16	357	231	\$ 600,200	0	0	0	0	0	183	\$ 475,800	29	\$ 75,420
4. 66250021 signal generator	865	367	34	458	85	\$ 36,320	0	0	0	0	0	0	0	0	0
5. 66250021 load bank test set	8,783	1	202	147	147	\$ 1,291,101	147	\$ 30	30	0	0	0	0	3	\$ 26,349
6. 66250021 radio test set	5,320	528	67	289	838	\$ 1,280,640	289	\$ 488	300	0	0	0	0	7	\$ 36,840
7. 66250021 radar test set	3,888	1,713	443	1,142	188	\$ 420,608	188	\$ 198	0	0	0	0	0	14	\$ 46,004
8. 66250021 test set, electronic tube	180	11,028	2,197	7,437	2,158	\$ 392,180	0	0	0	0	0	1,264	\$ 179,760	195	\$ 27,300
9. 66250021 signal generator	1,048	341	30	301	210	\$ 823,020	0	0	0	0	0	0	0	0	0
10. 66250021 magnetic inspection unit	4,924	102	5	78	19	\$ 94,696	8	\$ 32	16	0	0	11	\$ 54,824	1	\$ 4,924
11. 66250021 signal generator	3,713	1,529	350	882	347	\$ 1,302,811	347	\$ 100	0	0	0	0	0	15	\$ 56,295
12. 66250021 analyzer, spectrum	1,858	1,822	173	1,019	89	\$ 165,362	89	\$ 198	0	0	0	0	0	10	\$ 18,520
13. 66250021 load bank, generator set	2,440	741	46	46	272	\$ 662,630	150	\$ 0	0	0	0	0	0	4	\$ 12,760
14. 66250021 signal generator	874	1,144	1,081	5,964	149	\$ 130,286	0	0	250	0	0	149	\$ 130,220	100	\$ 87,400
15. 66250021 signal generator	3,150	325	10	127	218	\$ 774,136	218	\$ 0	0	0	0	0	0	8	\$ 25,216
16. 66250021 oscilloscope	432	3,823	340	2,988	295	\$ 277,040	279	\$ 248	234	0	0	16	\$ 6,912	12	\$ 2,184
17. 66250021 frequency meter	1,890	2,443	456	1,260	777	\$ 1,260,530	764	\$ 121	0	0	0	13	\$ 24,780	14	\$ 26,460
18. 66250021 signal generator	1,888	1,822	1	336	485	\$ 686,580	485	\$ 198	0	0	0	0	0	1	\$ 1,888
19. 66250021 signal generator	1,949	1,393	164	98	150	\$ 153,130	194	\$ 20	20	0	0	0	0	21	\$ 19,645
20. 66250021 signal generator	1,062	561	34	318	209	\$ 222,658	0	0	0	0	0	0	0	0	0
21. 66250021 test set, radio	1,100	797	0	504	293	\$ 323,300	293	\$ 1,034	700	0	0	0	0	12	\$ 13,200
22. 66250021 test set, synchro	2,000	2,313	777	1,422	114	\$ 228,000	0	0	0	0	0	0	0	27	\$ 54,000
23. 66250021 reproducer	14,000	383	80	259	44	\$ 616,000	0	0	0	0	0	0	0	3	\$ 42,000
24. 66250021 signal generator	865	752	24	494	210	\$ 181,350	0	0	0	0	0	0	0	0	0
25. 66250021 delay line	780	22	22	37	37	\$ 8,860	0	0	0	0	0	0	0	0	0
26. 66250021 test set, radio frequency power	873	3,188	682	1,073	1,431	\$ 1,252,185	243	\$ 305	305	0	0	305	\$ 266,875	10	\$ 8,734
27. 66250021 analyzer, spectrum	361	400	0	343	157	\$ 56,677	0	\$ 421	421	157	\$ 56,677	0	0	0	0
28. 66250021 frequency meter	1,439	1,932	893	747	318	\$ 446,160	318	\$ 192	0	0	0	0	0	14	\$ 20,020
29. 66250021 signal generator (MM-64A)	1,740	2,874	954	1,075	215	\$ 429,570	189	\$ 189	189	0	0	377,622	0	10	\$ 19,560
30. 66250021 oscilloscope	1,588	2,704	1,669	1,034	1,034	\$ 1,644,228	1,034	\$ 80	0	0	0	0	0	14	\$ 19,668
31. 66250021 calibrator radio range	1,984	304	83	221	80	\$ 39,920	0	0	0	0	0	80	\$ 155,520	2	\$ 3,968
32. 66250021 signal generator	364	6,391	796	4,737	808	\$ 118,318	808	\$ 0	0	0	0	0	0	44	\$ 16,016
33. 66250021 test set, radar (MM-13A)	598	687	1,688	968	647	\$ 744	0	\$ 125	125	125	\$ 87,250	0	0	48	\$ 33,504
34. 66250021 electronic tube tester (TV-24/V)	330	1,347	114	2,107	1,126	\$ 377,210	0	\$ 1,951	1,951	1,126	\$ 377,210	0	0	113	\$ 37,950
35. 66250021 test set, radar	4,000	311	13	287	31	\$ 124,000	0	\$ 13	0	0	0	13	\$ 52,000	1	\$ 4,000
36. 66250021 function box	528	29	29	368	100	\$ 177,100	100	\$ 59	59	0	0	0	0	12	\$ 6,600
37. 66250021 frequency meter	954	2,050	289	1,189	579	\$ 553,524	0	\$ 84	84	84	\$ 81,260	0	0	11	\$ 10,516
38. 66250021 signal comparator	1,653	38	198	87	143	\$ 811	70	\$ 3	3	0	0	0	0	0	0
39. 66250021 tester, fuel quant. gaps (MM-1)	600	4,062	387	1,317	2,378	\$ 1,426,800	1,362	\$ 20	20	20	\$ 12,000	0	0	43	\$ 25,800
40. 66250021 test set, radar (MM-24A)	5,028	173	7	140	26	\$ 130,578	0	\$ 138	200	0	0	26	\$ 130,578	12	\$ 60,264
41. 66250021 contactor	374	315	11	288	20	\$ 11,480	0	\$ 60	60	0	0	0	0	0	0
42. 66250021 ammeter, recording	20	888	0	86	86	\$ 2,390	0	\$ 55	55	0	0	0	0	1	\$ 11.1
43. 66250021 test set, radar	795	594	82	416	26	\$ 75,120	0	\$ 75	75	0	0	0	0	8	\$ 0,360
44. 66250021 test set, radio	1,433	935	122	574	169	\$ 243,177	169	\$ 84	84	84	\$ 39,645	0	0	3	\$ 4,299
45. 66250021 oscilloscope (MM-20B)	956	11,923	2,025	5,311	3,616	\$ 3,465,376	0	0	0	0	0	0	0	202	\$ 199,172
46. 66250021 generator set (MM-3A)	11,100	3,647	331	4,825	531	\$ 5,894,100	531	\$ 27	27	0	0	0	0	100	\$ 1,110,000
47. 66250021	4,375	747	0	257	170	\$ 743,750	170	\$ 106	106	0	0	0	0	0	0
48. 66250021	17,000	389	87	250	190	\$ 1,130,000	170	\$ 66	66	0	0	0	0	0	0
49. 66250021	15,344	2,141	393	943	877	\$ 13,446,688	0	0	0	0	0	0	0	0	0
50. 66250021	25,000	299	6	145	108	\$ 3,780,000	27	\$ 55	55	0	0	0	0	55	\$ 1,385,000
51. 66250021	2,887	1,413	466	488	489	\$ 1,431,303	3	\$ 164	0	0	0	0	0	2	\$ 5,854
52. 66250021	3,700	1,928	168	940	860	\$ 310,000	0	0	0	0	0	164	\$ 574,000	6	\$ 22,000
53. 66250021	6,289	68	26	188	188	\$ 735,254	0	0	0	0	0	0	0	0	0
54. 66250021	7,000	5,252	1,998	2,647	1,507	\$ 10,949,000	0	0	0	0	0	0	0	117	\$ 819,000
55. 66250021	5,578	5,288	2,920	1,433	945	\$ 5,265,240	0	0	0	0	0	0	0	50	\$ 278,600
56. 66250021	6,500	796	57	118	627	\$ 8,821,400	0	0	0	0	0	0	0	0	0
57. 66250021	6,312	2,423	389	869	1,072	\$ 6,736,888	0	0	0	0	0	0	0	29	\$ 183,048
58. 66250021	4,301	985	561	1,999	225	\$ 217,750	0	0	0	0	0	0	0	8	\$ 4,602
59. 66250021	7,000	1,853	1,093	1,894	416	\$ 2,830,000	0	0	0	0	0	0	0	59	\$ 413,000
60. 66250021	7,500	4,867	1,628	1,647	1,647	\$ 7,135,500	0	0	0	0	0	141	\$ 634,500	156	\$ 702,000
61. 66250021	1,418	2,413	1,123	1,001	89	\$ 185,802	0	0	34	0	0	34	\$ 48,212	40	\$ 56,720
62. 66250021	1,500	3,300	2,866	1,037	0	0	0	0	0	0	0	0	0	30	\$ 70,000
63. 66250021	12,000	2,733	1,098	493	1,142	\$ 13,704,000	0	\$ 256	62	62	\$ 744,000	194	\$ 2,388,000	13	\$ 156,000
64. 66250021	3,204	5,644	1,941	2,109	294	\$ 124,056	0	\$ 100	100	0	0	100	\$ 524,000	72	\$ 37,728
65. 66250021	17,000	2,333	675	1,038	288	\$ 14,484,000	0	\$ 266	164	164	\$ 2,805,000	101	\$ 1,717,000	8	\$ 13,600
66. 66250021	1,538	2,033	1,038	351	351	\$ 539,838	0	\$ 388	164	0	0	103	\$ 150,414	29	\$ 44,302
67. 66250021 air compressor	1,332	6,053	348	1,761	544	\$ 784,608	0	\$ 247	169	169	\$ 225,108	78	\$ 103,896	34	\$ 45,264
68. 66250021 air conditioner	7,940	36	27	123	123	\$ 988,280	123	\$ 68	54	0	0	0	0	4	\$ 31,760
69. 66250021 air conditioner	18,614	410	12	230	168	\$ 1,783,158	168	\$ 60	60	0	0	0	0	22	\$ 233,508
70. 66250021 air compressor	5,990	1,652	12	1,359	248	\$ 1,475,500	248	\$ 173	110	0	0	0	0	23	\$ 11,300
71. 66250021 air conditioner	12,400	1,056	966	109	93	\$ 1,083,000	93	\$ 80	80	0	0	0	0	1	\$ 11,000
72. 66250021 air conditioner	11,000	293	200	311	161	\$ 563,051	161	\$ 135	101	0	0	0	0	21	\$ 73,311
73. 66250021 heater	3,421	24	13	77	77	\$ 221,367	0	\$ 66	78	0	0	77	\$ 221,367	3	\$ 20,313
74. 66250021 air conditioner	4,421	1,807	0	716	421	\$ 2,175,621	421	\$ 830	400	400	\$ 707,000	430	\$ 700,670	114	\$ 505,174
75. 66250021 gas/electric heater (type H-1)	1,769	18,517	4,867	11,550	2,665	\$ 4,714,385	0	\$ 62	62	0	0	0	0	209	\$ 475,861
76. 66250021 amplifier, steel	240	36	0	18	18	\$ 4,320	0	0	0	0	0	0	0	1	\$ 240
77. 66250021 photo print dryer (type M-2)	660	1,476	139	929	808	\$ 137,880	0	0	0	0	0	0	0	0	0
78. 66250021 processing mach. film	11,300	129	103	0	0	0	0	0	0	0	0	0	0	3	\$ 33,900

APPENDIX I
Page 2

LIST OF FAMILY GROUPINGS OF REPLACEMENT EQUIPMENT ITEMS
COVERED DURING GENERAL ACCOUNTING OFFICE REVIEW (continued)

Family grouping--primary item	Procurements prior to fiscal year 1960				Unaccounted-for units		Air Force inventory adjustment for unaccounted-for units	Fiscal year 1960 unit requirements after adjustment	Units procured in fiscal year 1960	Unnecessary fiscal year 1960 procurements		Depreciated fiscal year 1960 requirements that could have been eliminated		Unaccounted-for units found by GAO at GAO using organizations	
	Unit cost (note a)	Total units	Recognized losses (note b)	Units actually reported	Quantity	Amount				Units	Amount	Units	Amount	Quantity	Amount
80. 6700A11 processing mach. film	\$ 13,000	981	101	273	7	\$ 91,000	0	0	0	0	0	0	0	1	\$ 13,000
81. 6700A11 projector, still picture	365	5,819	890	4,747	188	66,430	0	0	0	0	0	0	0	188	66,430
82. 6700A11 dryer serial roll film	1,350	891	229	664	0	-	0	0	0	0	0	0	0	0	-
83. 6700A11 splicer, photographic	1,800	28	2	19	7	12,600	0	0	0	0	0	0	0	0	-
84. 6700A11 washer, print, film	1,700	209	116	224	65	110,500	0	0	0	0	0	0	0	1	1,700
85. 6700A11 press camera	340	3,436	619	2,564	213	79,280	0	0	0	0	0	0	0	32	10,940
86. 6700A11 kit, drying	380	513	193	41	279	106,080	0	0	0	0	0	0	0	0	-
87. 6700A11 kit, marking (type A-1)	990	1,163	447	59	123	121,770	0	153	43	13	12,870	110	108,900	20	19,800
88. 6700A11C printer, projection	550	1,388	174	820	194	215,700	1	165	0	0	0	165	90,750	4	2,200
89. 6700A11D printer, projection	1,250	805	387	347	71	88,750	0	99	0	0	0	71	88,750	0	-
90. 6700A11A printer, projection	13,000	120	0	90	30	390,000	0	0	0	0	0	0	0	5	65,000
91. 6700A11 light amp. proj. printer	375	125	21	83	21	7,875	0	0	0	0	0	0	0	0	-
92. 6700A11C proc. mach., photo film	8,500	182	137	22	23	197,500	0	0	0	0	0	0	0	0	-
93. 6700A11 photo. testing machine	500	104	4	8	12	6,000	0	0	0	0	0	0	0	0	-
94. 6700A11 slide projector	350	3,029	3,070	859	0	-	0	0	0	0	0	0	0	1	350
95. 6700A11 camera, identification	895	168	15	433	0	-	0	157	144	0	0	0	0	3	2,685
96. 6700A11 camera set, action picture	1,500	349	83	151	75	112,500	0	0	0	0	0	0	0	0	-
97. 6700A11 steam cleaner	1,567	1,518	0	669	849	1,330,383	0	0	0	0	0	0	0	0	-
98. 6700A11 cleaner, spray gun	812	1,427	0	1,427	0	-	0	0	0	0	0	0	0	19	15,428
99. 6700A11 machine, hose assembling	2,625	421	102	281	78	204,750	0	168	28	0	0	78	204,750	1	5,250
100. 6700A11 degreaser	1,110	1,129	0	64	6	72,150	0	148	45	0	0	0	72,150	0	-
101. 1700C11C servicing unit, multi. pur.	91,500	119	0	69	0	4,362,500	0	0	0	0	0	0	0	0	-
102. 6700A11C cleaner, vapor pressure	813	2,876	0	968	1,908	1,589,364	0	282	0	0	0	282	234,906	23	19,159
103. 6700A11B test set, aux. radar	7,167	51	0	51	0	-	0	44	0	0	0	0	0	0	-
104. 6700A11B test bench, maintenance	159,000	26	0	26	0	-	0	0	0	0	0	0	0	0	-
105. 1700C11C hoist, chain	798	4,914	0	396	4,914	3,602,172	2,658	0	0	0	0	0	0	192	153,816
106. 1700C11A servicing unit, multi. pur.	34,000	717	29	596	92	3,128,000	0	94	0	0	0	92	3,128,000	26	884,000
107. 6700A11 stand army, firing	820	194	0	143	51	10,200	0	26	0	0	0	0	0	6	1,200
108. 6700A11B test set, verification	11,907	282	7	41	234	2,786,238	73	137	0	0	0	137	1,631,899	11	130,977
109. 6700A11B test stand, generator (MC-2)	21,747	112	0	66	46	1,000,362	0	55	42	33	717,651	13	282,711	0	-
110. 6700A11B test stand, generator	6,497	206	0	142	64	415,808	0	152	79	0	0	64	415,808	1	6,497
111. 1700C11D maint. platform (type B-4a)	300	17,000	75	11,911	5,014	1,504,200	0	6,820	1,303	0	0	5,014	1,504,200	192	57,600
112. 6700A11B test stand, generator	4,447	575	2	890	283	1,258,501	0	165	0	0	0	165	733,755	2	8,894
113. 6700A11D underspreader	138	639	0	469	146	80,148	0	127	15	15	2,070	112	15,456	4	552
114. 6700A11B grinder, valve	289	609	0	512	97	28,033	0	183	56	0	0	97	28,033	3	867
115. 6700A11B trailer, aircraft engine	2,500	669	0	229	440	1,100,000	0	157	0	0	0	157	392,500	2	5,000
116. 6700A11B head breaker, aircraft tires	812	369	0	273	96	77,952	0	86	68	68	55,216	18	14,616	2	1,684
117. 6700A11A dolly, portable	1,320	260	51	188	27	41,040	274	41	0	0	0	0	0	7	10,640
118. 6700A11B OCAMA run-up stand	3,780	330	0	45	285	1,077,340	0	48	0	0	0	0	0	0	-
119. 1700C11X adapter kit, engine trailer	439	640	0	111	589	2,231	0	362	0	0	0	362	158,918	0	-
120. 6700A11A jet engine trailer	3,000	340	15	125	200	600,000	15	101	0	0	0	101	303,000	8	24,000
121. 6700A11B lathe, jeweler's	468	737	14	717	66	30,492	0	0	0	0	0	0	0	4	1,848
122. 6700A11B welder, arc	1,774	280	3	260	8	14,192	0	38	0	0	0	8	14,192	2	3,548
123. 6700A11B bending machine, pipe	1,690	349	2	283	64	108,160	0	19	0	0	0	19	32,110	3	5,070
124. 6700A11B cleaner, assembly	150	70	0	48	22	3,300	0	108	3	0	0	22	3,300	2	300
125. 6700A11B machine, flaring, tube	1,885	367	0	343	124	233,740	0	0	0	0	0	0	0	1	1,885
126. 6700A11B degreaser, solvent	295	3,283	0	2,497	725	214,170	6	703	234	234	69,030	466	137,470	78	23,010
127. 6700A11B grinder, pedestal	156	324	3	317	1,434	220,584	0	94	0	0	0	94	14,664	4	624
128. 6700A11B spray outfall, paint	520	518	0	343	875	145,475	0	74	23	23	12,167	51	26,979	0	-
129. 6700A11B grinder, pedestal	518	1,165	47	444	674	349,132	0	105	0	0	0	105	54,355	11	5,698
130. 6700A11A test stand, jet engine	29,471	134	22	48	58	1,709,318	0	0	0	0	0	0	0	0	-
Total		333,944	33,944	131,667	28,338	\$164,659,249		3,065	\$2,708,220	11,616	\$20,808,345	1,052	\$2,567,542		

*Based on unit cost shown in fiscal year 1960 requirement computation.

*Includes assets furnished to nonreporting activities and assets lost through attrition, condemnation, and disposal.

*Total procurement unknown, and asset inventory shown in fiscal year 1959 requirement computation.

*Air Force adjustment exceeded total unaccounted-for units.

DEPARTMENT OF THE AIR FORCE
WASHINGTON

OFFICE OF THE SECRETARY

2001 23 1961

Dear Mr. Bell:

With reference to your letter of October 28, 1960, forwarding a draft report on the review of management of replacement equipment within the Department of the Air Force, the following are our comments and summaries of corrective action on the deficiencies cited in the report.

We agree, generally, that the products of the Air Force Unit Authorization List (UAL) system are incomplete and inaccurate, and do not adequately support the Air Materiel Command in the computation of equipment buy/budget programs.

We further agree that the system itself is essentially sound. The problem is to improve reporting discipline rather than to develop new methods of reporting.

However, we do not agree with the implication in the report that the Air Force has failed to recognize this aspect of the problem and that it has been more concerned with effecting narrow procedural improvements to the UAL system than with attacking the substantive reasons for unsatisfactory UAL reporting.

At a recent conference in California attended by the Materiel Deputies of all major air commands, the Deputy Chief of Staff, Materiel specifically directed that greater stress be placed on tightening supply discipline and, in particular, on reporting discipline. A few days later, the Vice Chief of Staff strongly emphasized the same points at a conference of all major air commanders. To preclude this effort from becoming a "one-shot" or sporadic attempt at improvement, the Air Force has established Project Money Tree, a continuing world-wide exercise aimed at more effective and austere materiel management. Money Tree does not establish or rely on any new "gimmicks". It calls rather for rigorous compliance with existing policies and procedures. All commands are required to report to Headquarters USAF on progress attained under Money Tree; the first report of command projects is due January 15, 1961.

The Air Force has been deeply and aggressively concerned with effecting improvements to the overall UAL system. While we do not underrate the importance of adequate reporting, it must be recognized that reporting is but one element of an entire management system. The effectiveness of this management system is dependent upon, and can be no better than, all of its major program components, i.e., the functions of allowance, authorization, requirements computations, and control and direction.

In March 1960, the Deputy Chief of Staff, Materiel established the Headquarters USAF UAL Management Review Team to look into the systems and methods employed by the major air commands in the implementation of the allowance-authorization program and to determine the basic reason for reporting inaccuracies. After visiting TAC, ADC, ARDC, and USAFE, the team concluded that the commands were (1) committing manual and mechanical reporting errors, (2) employing faulty data, (3) not properly performing the authorization and review function, (4) not employing adequate resources, (5) not applying the degree of required command emphasis, and (6) not complying with existing directives. (These conclusions, which go considerably beyond those cited in your draft report, were noted several months prior to receipt of your report by the Air Force.) Hq USAF advised each command visited of the deficiencies found by the team and the commands undertook immediate interim measures to implement corrective action.

Although the team was not satisfied with command performances, their evaluation also indicated that certain basic deficiencies did in fact exist within the USAF/AMC equipment management area. The Deputy Chief of Staff, Materiel accordingly expanded the team charter (September 1960) to include the review and analysis of equipment (1) Allowances, (2) Authorization, (3) Reporting, (4) Requirements Computations, and (5) Control and Direction, and the relationship of these components to basic equipment management groups, i.e., LP, CP, Hi-Valu, etc. The investigation is expected to result in far-reaching revisions of Air Force policies and procedures pointed toward producing more accurate and manageable reporting products. Action has already been initiated by Hq USAF to effect the necessary changes. It is anticipated that program improvements will be implemented to produce measurable results within 12 to 18 months. These improvements, it should be noted, will lie primarily in areas other than reporting; however, better reporting will be a major end product.

With regard to the specific deficiencies cited in your report:

1. Unauthorized cut-off dates used for reporting UAL data.

Corrective action taken by AMC (in response to your advice of September 1959) is adequate. Additionally, the matter was emphasized by the Deputy Chief of Staff, Materiel at the Materiel Conference mentioned earlier.

2. Omission of excess equipment from inventory reports.

As a result of a visit by the Hq USAF UAL Management Review Team, the Commander, ADC was advised by Hq USAF letter on July 5, 1960 that ADC units were not reporting assets on hand which were greater than those authorized. Hq ADC promptly reminded all echelons: "It is mandatory that all UAL assets be reported including unauthorized UAL on-hand equipment. The importance of complete reporting cannot be over-emphasized. Failure to report all assets distorts world-wide assets and requirements information and, in turn, causes overstatement and understatement of the Procurement and Budget estimate." Hq USAF will monitor this area to preclude repetition of the error in other commands.

3. Failure to process UAL change requests.

We are in some doubt as to what is meant by this, since a change request has no impact on the reporting of assets - it is a procedure for changing authorizations only. The definition of in-use assets in the Air Force governing directive (paragraph 5a (23), Chapter 1, Volume XXI, AFM 67-1) provides for the reporting of all assets, regardless of condition or requirement.

4. Failure to physically inventory equipment on hand.

Contrary to the statement on page 18 of the report, Air Force instructions do not require that a physical inventory of material on hand be taken annually at the time of the UAL report. Indeed, as the draft report states later in another connection, such a requirement would be unrealistic and wholly impossible to implement. It is Air Force policy (expressed in paragraph 11, AFR 67-83, and in paragraph 7, Section 7, Volume IV, AFM 67-1) only that a physical inventory be made annually; no specific cut-off date is given other than, of course, that it be completed prior to September 30.

5. Improper maintenance of property records.

We agree that there is a causal relationship between improper maintenance of property records and inaccurate UAL data. The Air Force hopes that recent emphasis on reporting discipline will eliminate this as a problem area. In any case, it will be aggressively monitored by Hq USAF and AMC.

6. Failure of organizations to submit UAL reports.

This is probably the most serious and far-reaching of all the deficiencies cited in your report, and has long been of concern to the Air Force. In July 1960, the Air Force established a PCAM management file to provide a single identification for all in-being and programmed AF organizations. Known as the Reporting Organization File (ROF), it should completely resolve the problem and effectively prevent its repetition. ROF procedures are a systematic method for relating reported authorizations and assets to the specific unit for which they are required and/or in-use; they provide positive assurance that reports are submitted for all programmed units.

7. Retention of reported excess for unreasonable periods of time.

The Air Force, as noted in the report, has been aware that a lack of responsiveness is one of the major deficiencies of the UAL system. In May 1959, in response to direction from Hq USAF, AMC began development of Project FAST (Futuristic Automated Support Technique), a comprehensive system centralizing data management of organizational equipment at Air Force bases and AMC depots. FAST is a long-range plan and has yet to be service-tested. Its centralized operation, when implemented, will provide automatic distribution and redistribution by unit precedence. Transaction data for UAL items will be submitted electronically to the AMC depot concerned, where it will serve as a requisition, notice of excess, or other required action.

FAST data will flow through the COMLOGNET to appropriate depots from industry (due-ins), storage sites (inventory), AF bases (transaction data), and Hq USAF (programming changes). The AMC depots will accumulate and process this data by EDPE for inventory managers. Thus, FAST will accomplish considerably more than

automatic distribution and redistribution. Because it will enable the depots to rapidly evaluate and comply with program changes affecting weapon system management, FAST should provide the degree of responsiveness demanded by tomorrow's Air Force logistic support system.

Of course, FAST contains no built-in assurance that a reported excess will not be retained for an unreasonably long time. It will, however, guarantee that the existence of such excess will be highlighted so that redistribution action can occur quickly and adequately. As with all systems relying upon EDPE, the quality of the product will be only as good as the quality of the input; aggressive management will be required.

Until FAST becomes operational, UAL reporting of authorizations and assets will continue under the present system. However, the Air Force expects that the high-level attention given to UAL reporting will greatly alleviate this deficiency long before FAST is formally initiated.

With regard to the recommendations proposed in your report:

1. A complete world-wide inventory be made of replacement equipment in the hands of using organizations.

The Air Force recently (September 1, 1960) initiated Project Big Divide, a controlled world-wide inventory and redistribution program designed to reduce test and ground support equipment shortages. Big Divide is limited to those equipment items that are in a buy situation and are in the inventory in sufficient quantities to permit meaningful redistribution. By the time it is completed on September 30, 1961, Big Divide will have reviewed items in approximately 1000 Family Groups. (It should be noted, however, that all of the specific items cited in your report, and similar high value items, will be included in Big Divide.) Phase I of the Project was completed on December 9, 1960, and included a physical inventory of 18 selected items covering (1) UAL/MRAL in-use/in-place assets, (2) Base Supply assets, (3) Weapon System Storage Site assets, and (4) Depot assets. Adjusted authorizations and inventoried assets for the selected items were reported to the Inventory Managers concerned by December 9, 1960. The Inventory Managers are now evaluating the data and, where appropriate, will forward by mid-January recommended adjustments to the FY 1961 buy program to Hq AMC.

In view of this intensive, selected inventory now underway, we do not believe that a complete world-wide inventory such as that recommended is in order at this time. However, your recommendation will be carefully reconsidered next fall when we evaluate the results of Big Divide.

2. Emphasizing the importance of UAL data and vigorous policing action.

We agree completely with this recommendation which, in fact, has already been effectively implemented by the Air Force. (The Vice Chief of Staff at the Commanders' Conference, the Deputy Chief of Staff, Materiel at the World-Wide Materiel Conference, and the Hq USAF UAL Management Review Team, all of which are referenced above. Additionally, there have been a number of emphatic Hq USAF communications to the major air commands pinpointing deficiencies noted in command equipping programs. For example, the Vice Chief advised the commands on August 5, 1960:

Each year the Air Force "loses" from the materiel record system, many items that were procured and distributed. It is apparent that items issued to meet an anticipated need that did not materialize are being "squirreled away" in the operating unit rather than returned to supply channels.

...

This Headquarters re-emphasizes that support equipment requirements must be austere and that the efficiency of the Air Force system depends upon Command supervision to insure that the UAL/MRAL reports are accurate, timely and reflect essential needs only)

3. Providing inventory managers with authority to discipline operating organizations.

This idea is completely foreign to Air Force command philosophy. Vigorous USAF "policing" action within the system is required by existing directives. Compliance with these directives should do much to resolve the problems cited. We agree that it would be helpful if inventory managers could identify unacceptable performance by individual organizations; however, the UAL system

has not yet reached the state-of-the-art where this is possible. There will be no really adequate resolution of this problem until Project FAST becomes operational.

A number of management innovations initiated by the Air Force to improve and facilitate equipment program reporting should be of interest to you. It should be noted that these are all comparatively recent and thus it is difficult to determine as yet their degree of success. Excluding the already-mentioned Reporting Organization File, Project FAST, and Project Big Divide, these innovations include:

AMC Stock Number and Family Group Conversion (May 1960).

This program insures that both authorization and asset data is provided to the inventory managers. The purpose is to eliminate the statement of non-existent equipment overages and/or shortages with the resulting inaccurate computation of requirements.

101 Machine Edit Check (July 1960). This machine process is intended to verify (by rejecting inaccurate cards) the correctness of data elements reflected in UAL/MRAL card files, i.e., stock number, allowance source code, and other management codes. The procedure does not, however, verify or validate authorization and asset quantitative data.

Project Requirements (July 1960). This procedural change provides a method for the reporting of projected increases or decreases in existing UAL item authorizations when such changes result from organizational conditions not reflected in the USAF Program (PD).

We should like to thank you and your staff for this report, which has been most helpful to us. Stronger and more effective supply discipline is one of our primary goals, and corrective actions arising from reports such as this aid us considerably in attaining that goal.

We would appreciate your including these comments in the final version of this report.

Sincerely yours,

Mr. Hassell B. Bell
Associate Director
Defense Accounting & Auditing Division
General Accounting Office
Washington 25, D. C.

P. B. Taylor
Assistant Secretary of the Air Force

DEPARTMENT OF THE AIR FORCE
WASHINGTON

OFFICE OF THE SECRETARY

MAY 5 1961

Dear Mr. Bell:

Reference: (a) Mr. Taylor's letter of January 23, 1961, relating to your review of the management of replacement equipment within the Department of the Air Force, (b) meeting of March 30, 1961, concerning your request that a statement be provided pertaining to recent actions taken by the Air Force to improve the management of the USAF Equipment Allowance-Authorization Reporting Program.

USAF letter, subject: Management Improvement of the Equipment Allowance-Authorization Reporting Program, March 29, 1961 (Tab A) has been dispatched to Headquarters AMC, now the Air Force Logistic Command (AFLC). This communication directs the implementation of the recommendations made by the USAF Group for Re-evaluation of Authorization Systems and Policies (GRASP). GRASP was established to analyze and evaluate the current equipment authorization and requirements systems in the Air Force with a view towards improving the accuracy of equipment assets reporting and validity of authorizations. Essentially, this letter directive advises that the GRASP report constitutes the approved Air Force policy for the improved management and control of the USAF Equipment Allowance-Authorization-Reporting Program; and directs the implementation of GRASP recommendations through the development of an organizational equipment data system project (AFR 400-29) and related supply procedures (AFM 67-1).

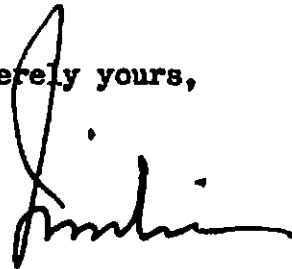
Basically, GRASP recommendations (now policy) encompass: (a) the establishment at each base of a Central Equipment Management Office which will maintain at one location complete and current authorization-asset reporting records. A command consolidation of these records is maintained for reporting at various specified intervals to the AFLC report collection point; (b) the establishment of internal and external audit techniques to insure accuracy and validity of data reported. Further, the AFLC collection point will develop the capability to promptly refer back to reporting commands an accurate evaluation of reports as well as an analysis of error causes; (c) the discontinuance of dual reporting for vehicles and industrial production equipment (IPE) under both the UAL system and their individual serialized reporting systems. In the future, each of these items will be reported under only one system, which will provide both requirements and serialized inventory data; (d) the more effective direction and control of the program by USAF and AFLC; (e) the standardization of functions and operations of Equipment Review and Authorization Activities (ERAA) at base and command level and the refinement of certain allowance and

authorization procedures.

The findings of GRASP appear to parallel your report and the report of the USAF Inspector General (IG) as they relate to report accuracy and validity; standardization of data systems and procedures; and program direction and control. It is believed that the GRASP policy recommendations will produce a flexible program that provides more timely and accurate data compatible with the needs of the AFLC computation of requirements, when coupled with other USAF program improvement actions (Tab B).

In view of the foregoing it is requested that the proposed revisions to the conclusions of the final report be amended to reflect the actions being taken by the Air Force.

Sincerely yours,



JOSEPH S. IMIRIE
Assistant Secretary of the Air Force

4 Inclosures

1. Tab A
2. Tab B
3. Tab C
4. Tab D

Mr. Hassell B. Bell
Associate Director
Defense Accounting & Auditing Division
General Accounting Office
Washington 25, D.C.

SCHEDULE OF ORGANIZATIONS AND INSTALLATIONS
VISITED OR CONTACTED DURING GAO REVIEW

Our review encompassed appropriate examinations of replacement-type equipment management functions at each of the following Air Force headquarters or installations:

Headquarters, Air Materiel Command, Wright-Patterson Air Force Base, Ohio

Headquarters, Air Defense Command, Ent Air Force Base, Colorado

Headquarters, Tactical Air Command, Langley Air Force Base, Virginia

Dayton Air Force Depot, Gentile Air Force Station, Dayton, Ohio

Mobile Air Materiel Area, Brookley Air Force Base, Alabama

Sacramento Air Materiel Area, McClellan Air Force Base, California

Warner Robins Air Materiel Area, Robins Air Force Base, Georgia

Memphis Air Force Depot, Mallory Air Force Station, Memphis, Tennessee

Altus Air Force Base, Oklahoma

Barksdale Air Force Base, Louisiana

Bunker Hill Air Force Base, Peru, Indiana

Cannon Air Force Base, New Mexico

Carswell Air Force Base, Texas

Castle Air Force Base, California

Davis-Monthan Air Force Base, Arizona

Donaldson Air Force Base, South Carolina

Dover Air Force Base, Delaware

England Air Force Base, Louisiana

George Air Force Base, California

APPENDIX IV

Hamilton Air Force Base, California
Hickam Air Force Base, Hawaii
Langley Air Force Base, Virginia
Lincoln Air Force Base, Nebraska
Little Rock Air Force Base, Jacksonville, Arkansas
Lockbourne Air Force Base, Ohio
McChord Air Force Base, Washington
Moody Air Force Base, Georgia
Otis Air Force Base, Massachusetts
Perrin Air Force Base, Texas
Sewart Air Force Base, Tennessee
Shaw Air Force Base, South Carolina
Tyndall Air Force Base, Florida
Westover Air Force Base, Massachusetts
RAF Bentwaters, England
RAF Sculthorpe, England
RAF Wethersfield, England
Toul-Rosiere Air Base, France
Bitburg Air Base, Germany
Sembach Air Base, Germany
Spangdahlem Air Base, Germany
Ashiya Air Base, Japan
Itazuke Air Base, Japan
Misawa Air Base, Japan
Tachikawa Air Base, Japan
Yokota Air Base, Japan

LIST OF POLICY-MAKING
AND OTHER INTERESTED PRINCIPAL OFFICIALS
OF THE DEPARTMENT OF DEFENSE
AND THE DEPARTMENT OF THE AIR FORCE
DURING THE PERIOD OF THIS REPORT

	<u>Tenure</u>
<u>Secretary of Defense</u>	
Neil H. McElroy	9/57 to 12/59
Thomas S. Gates, Jr.	12/59 to 1/61
Robert S. McNamara	1/61 to date
<u>Deputy Secretary of Defense</u>	
Donald A. Quarles	5/57 to 5/59
Thomas S. Gates, Jr.	6/59 to 12/59
James H. Douglas	12/59 to 1/61
Roswell L. Gilpatric	1/61 to date
<u>Assistant Secretary of Defense (Supply and Logistics)</u>	
Perkins McGuire	1/57 to 1/61
<u>Assistant Secretary of Defense (Installations and Logistics)</u>	
Thomas D. Morris	1/61 to date
<u>Secretary of the Air Force</u>	
Donald A. Quarles	8/55 to 4/57
James H. Douglas	5/57 to 12/59
Dudley C. Sharp	12/59 to 1/61
Eugene M. Zuckert	1/61 to date
<u>Under Secretary of the Air Force</u>	
Malcolm A. MacIntyre	6/57 to 7/59
Dudley C. Sharp	8/59 to 12/59
Joseph V. Charyk	1/60 to date
<u>Assistant Secretary of the Air Force (Materiel)</u>	
Dudley C. Sharp	10/55 to 1/59
Philip B. Taylor	4/59 to 2/61
Joseph S. Imirie	4/61 to date
<u>Commander, Air Force Logistics Command (formerly Air Materiel Command)</u>	
Gen. Edwin W. Rawlings	7/51 to 2/59
Gen. Samuel E. Anderson	3/59 to date

LIST OF POLICY-MAKING
AND OTHER INTERESTED PRINCIPAL OFFICIALS
OF THE DEPARTMENT OF DEFENSE
AND THE DEPARTMENT OF THE AIR FORCE
DURING THE PERIOD OF THIS REPORT (continued)

Tenure

Commander, Air Defense Command

Lt. Gen. Joseph H. Atkinson	9/56 to 3/61
Lt. Gen. Robert M. Lee	3/61 to date

Commander, Tactical Air Command

Gen. Otto P. Weyland	4/54 to 7/59
Gen. Frank F. Everest	8/59 to date