

DOCUMENT RESUME

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Report to Sen. John L. McClellan, Chairman, Senate Committee on Appropriations; by Elmer B. Staats, Comptroller General.

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Congressional relevance: Senate Committee on Appropriations.

Department of Defense war reserve requirements for clothing and textile items were surveyed for fiscal year 1977, following the submission of lists by the Defense Supply Agency for all items to be procured if the 1977 appropriations were provided. The Senate Committee on Appropriations subsequently deleted all of the DSA's clothing and textile requirements. Findings/Conclusions: The Defense Personnel Support Center is trying to reduce stocks of items for which there are commercial substitutes, but their efforts have not completely eliminated such items from existing stocks or prevented the entry of additional ones into reserve stocks. The Center underestimated the production capability of industry to meet mobilization needs. During fiscal year 1976, the Center authorized the military services to return, with full reimbursement, \$28 million of excess items. The Center has only received \$6 million of these items, and has not received feedback as to why items were not returned. Recommendations: The Secretary of Defense should require specification-preparing activities to identify commercial alternatives at the time of specification development, and make certain the DPSC uses the planned production capability of industries as verified by DSA's industrial specialists. (RRS)

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# REPORT TO THE SENATE COMMITTEE ON APPROPRIATIONS

## BY THE COMPTROLLER GENERAL OF THE UNITED STATES



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2/2/77

# Military Clothing And Textiles Required For War Reserves Can Be Reduced

Defense Logistics Agency  
Department of Defense

The Department of Defense war reserve program for clothing and textiles needs improvement. The reserves of these goods may be reduced by better use of the Department's industrial preparedness planning program.



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-146858

The Honorable John L. McClellan  
Chairman, Committee on Appropriations  
United States Senate

Dear Mr. Chairman:

In reponse to your requests of April 14 and August 16, 1976, we are reporting on the Department of Defense fiscal year 1977 war reserve requirements for clothing and textile items.

On May 24, 1976, we briefed your office on our initial findings and provided the Committee with information concerning the fiscal year 1977 clothing and textile request. We pointed out that the Defense Supply Agency's clothing and textile request was not supported by a detailed listing of individual items which would be purchased if the requested funds were appropriated. (In January 1977, the Defense Supply Agency was redesignated as the Defense Logistics Agency.) The Committee subsequently requested the Department of Defense to provide lists for all the items, including clothing and textiles, to be procured if the 1977 appropriations were provided. Subsequently, the Committee deleted all of the Defense Supply Agency's clothing and textile requirements of \$95.6 million for fiscal year 1977.

The results of our work on other matters requested by you are summarized below. Additional detail has been provided in appendix I.

- While the Defense Personnel Support Center is trying to reduce war reserve stocks of items for which there are commercial substitutes, their efforts have not completely eliminated such items from existing stocks or prevented entry of additional ones into reserve stock.
- The Center underestimated the production capability of industry to meet mobilization needs.
- In fiscal year 1976, the Center authorized the military services to return, with full reimbursement, \$28 million of excess items. The Center received, however, only \$6 million of these items. The Center has not received any feedback as to why items were not returned.

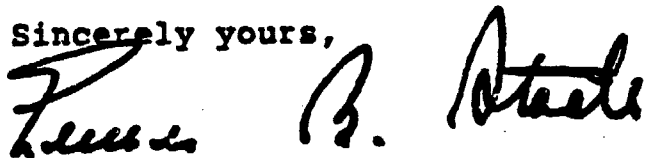
During our review, the military services and the Defense Supply Agency began to examine their war reserve programs as highlighted in your August 16, 1976, letter; as a result, we did not fully analyze the extent to which (1) sets of such related items as shirts and trousers had similar or dissimilar quantities (2) established clothing and textile war reserve stockage levels include appropriate safety allowances. We discussed these points with your office and agreed that since the Department of Defense was examining these matters, further analyses on our part was unnecessary.

In agreement with your office, we did not determine if items scheduled for disposal by the services could have been better used to satisfy war reserve deficiencies, because the Defense Supply Agency was unable to provide the necessary information at the time we needed it.

This report contains recommendations to the Secretary of Defense on page 9. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House and Senate Committees on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report. We shall be in contact with your office in the near future to arrange for the release of the report so that the requirements of section 236 can be set in motion.

As instructed by your office, we did not obtain written comments on our findings and recommendations. We did, however, discuss our findings with Defense Supply Agency officials and included their comments where appropriate.

Sincerely yours,

A handwritten signature in black ink, appearing to read "James B. Steele". The signature is written in a cursive style with a large initial "J" and "S".

Comptroller General  
of the United States

REVIEW OF THE DEPARTMENT OF DEFENSEFISCAL YEAR 1977 CLOTHING AND TEXTILEWAR RESERVE REQUEST

Our review of the military services' fiscal year 1977 war reserve requirements for clothing and textile items was made in accordance with requests of April 14 and August 16, 1976, from the Chairman of the Senate Appropriations Committee.

The Chairman asked us to determine whether

- consideration is given to commercially available substitute items and to production capability during the initial mobilization period,
- excesses of current needs and items scheduled for disposal are used to satisfy war reserve requirement,
- on-hand items are in proportion to, or balanced with, quantities of related items, and
- established stock levels include appropriate safety allowances.

We made our review at the Defense Personnel Support Center (DPSC) in Philadelphia and the Office of the Assistant Secretary of Defense (Installations and Logistics) Washington, D.C. DPSC is the inventory control point for clothing and textile items, medical supplies, and food products. As wholesale manager for these commodities, DPSC determines requirements and procures, stores, and issues the items to the military.

CONSIDERATION OF SUBSTITUTE COMMERCIAL  
ITEMS AND PRODUCTION CAPABILITY OF INDUSTRY

The purpose of the commercial alternate item program is to identify those items which can replace military specification items held in war reserve inventories. The ability to substitute commercial items reduces the quantities of specification items that DPSC is required to hold to meet war reserve requirements. Currently, the program is emphasizing the elimination of commercial alternates from existing war reserve stocks. Also, DPSC has recommended a procedure to prevent the initial stocking of items having commercial substitutes as war reserves. However, the procedure has not been implemented because the specification-preparing activities are concerned that separate programs would have to be created which would require additional funds.

Present status of program

Implementing this program requires the coordination of DPSC, the Defense Supply Agency Headquarters, and the military services. A committee comprised of officials from these agencies and from the activities which prepare specifications (e.g., the U.S. Navy Clothing and Textile Research Facility and the U.S. Army Natick Research and Development Command) propose, evaluate, and approve items to be studied to determine whether they have commercial alternates.

After a commercial alternate has been accepted and its producers have agreed to supply the quantities needed to support initial mobilization, the use of war reserve stocks to satisfy peacetime requirements is authorized. Withdrawals from these stocks will be made to the point where the recommended war reserve stockage levels can be met by the guaranteed commercial alternates and the specification quantities on hand. A hypothetical example of how the commercial availability program could be used to satisfy peacetime needs follows.

<u>Recommended mobilization stockage</u>	<u>Producer guaranteed commercial quantity</u>	<u>Required war reserve stockage</u>
600,000	400,000	200,000

Accordingly, any stocks DPSC has in excess of 200,000 can be used to satisfy peacetime needs.

As of May 1976, 123 clothing and textile items with a reduction potential of \$92.6 million had been recommended as candidates for this program by either individual services or the Defense Supply Agency. A total of 31 items, with a reduction potential valued at \$8.4 million, had been approved as of May 1976. Twenty-two items were disapproved as not meeting the requirements of this program. The remaining 70 items were awaiting review by the specification-preparing activities.

Examples of, and reasons for, items being disapproved follow.

<u>Item</u>	<u>Reason</u>
Cotton polyester white shirt	Unsuitable for summer usage
Leather work gloves	Unsafe moisture buildup
Natural cloth mitten	Unacceptable style, lining is not appropriate
Mattress cover	Length and width are less than specifications, excessive shrinkage and potential flammability

The time from proposal to approval of the 31 items ranged from 342 to 853 calendar days. According to DPSC personnel, the delays were due to problems connected with the procurement of sample items and a lack of adequate funds at the specification-preparing activities. These activities told the study committee that other programs had to be interrupted to obtain the necessary manpower and funds. In addition, the specification-preparing activities indicated that after receiving the samples, 6 months would be required to evaluate the items.

Recently, the Department of Defense (DOD) has taken steps emphasizing the program's importance to the services. These include:

1. Preparation of a DOD directive formalizing the commercial alternate concept and providing procedural guidance. The directive is in the final coordination phase.
2. Extension of the commercial alternate concept to commodities other than clothing and textiles.

#### Proposed new concept

In May 1976, the committee of agencies involved with the program considered when a commercial alternate should be evaluated for a specification item. DPSC suggested that a commercial alternate should be considered at the time the specification item is introduced into the supply system. The committee, however, voted that the current program be continued, whereby DPSC identifies selected items already in war reserve inventories to be studied for commercial alternates. A Natick Laboratory representative told us, however, that to do what DPSC recommended would go beyond Natick's current research and development role and would be too costly.

Under DPSC's proposal, items with commercial alternates would not be stocked to meet war reserve requirements.

DPSC's proposal also would enable the Defense Supply Agency to comply with DOD Directive 3005.5 which explicitly prohibits the selection and subsequent stockage of items as war reserves that are "normally available from commercial sources in sufficient quantities and in the time required to meet wartime military needs." Also, it would permit DOD to establish procedures to implement, if necessary, an Office of Management and Budget memorandum dated May 24, 1976, which stated:

"The procurement and supply processes of the executive branch must be thoroughly examined and appropriate revisions made with the objective of implementing the following policy: The Government will purchase commercial, off-the-shelf products when such products will adequately serve the Government's requirements, market acceptability, and the Government will utilize commercial distribution channels in supplying commercial products to its users."

DPSC's recommendation had not been implemented as of December 1976. The Defense Supply Agency has, however, agreed to resubmit the proposal to the study committee for further discussion in January 1977.

#### PRODUCTION CAPABILITY

To fully support the military services' needs during an emergency, the total stocks available on mobilization-day (M-day) must be adequate to meet the demand until sufficient deliveries are received from production. DOD has an Industrial Preparedness Planning Program which evaluates the private sector's production potential to meet military requirements during wartime. The more quickly deliveries can be made from production in the post M-day period, the lower the stockage needed on M-day. Mobilization requirements that cannot be supported by industry, less on-hand stocks, represent DPSC's mobilization-acquisition objective and its mobilization-funding deficit.

DPSC, until the fiscal year 1978 computation, had been using only the quantities the contractor had agreed to furnish to reduce clothing and textile mobilization requirements. Defense Supply Agency Headquarters on October 6, 1975, directed DPSC to use the quantities contractors had estimated they could produce with existing facilities, to offset mobilization requirements to a greater degree.



A Defense Supply Agency audit at the Defense Construction, Electronics, General, and Industrial Supply Centers, dated December 22, 1975, concluded that the objective of the Industrial Preparedness Planning Program review is to identify production which could supply the entire mobilization requirement. Any increase in the production capability up to the amount of the requirement reduces the acquisition objective and the amount of funds needed for war reserve stocks.

This report further concluded that the acquisition objectives at the centers had been computed at the current fiscal year's mobilization requirement and production capability data had been developed on the basis of prior fiscal years' mobilization requirements. By this method, the acquisition objective can be overstated when current requirements have increased and production capability is still based upon prior years' requirements.

The Defense Supply Agency auditors also determined that by using the contractor's estimate of quantities he can produce from existing facilities rather than the quantities agreed on to meet prior years' requirements, the amount of funds needed for reserve stocks would be reduced substantially. They recommended that the DSA's centers use maximum production capability in computing the acquisition objective. The Defense Supply Agency Headquarters concurred and cited its memorandum of October 6, 1975, as a means of implementing the recommendation.

DPSC personnel informed us that the same situations noted at the Defense Industrial Supply Center and the Defense Electronics Supply Center also exist at DPSC. Fiscal year 1977 mobilization requirements were offset by 1976's allocated production rather than 1977's maximum attainable production.

To determine what effect these situations had on DPSC's computation of its fiscal year 1977 mobilization-funding deficit, we randomly selected for review 15 of the 261 clothing and textile items included in DPSC's Industrial Preparedness Planning Program. Using fiscal year 1977 maximum production capability, we computed the 1977 mobilization-funding deficit for these 15 items. Our computations showed that DPSC, by using allocated production rather than maximum current production capability, had overstated the mobilization-funding deficit for these 15 items by \$12,465,194.

Fiscal year 1978

Not only was DPSC's fiscal year 1977 mobilization-funding deficit overstated, we found that the fiscal year 1978 deficit was also incorrectly computed. DPSC extended the time when the contractor's projected production would be available by as much as 4 months, even though the production schedules were verified by the planning officers of the Defense Contract Administration Service and agreed to by DPSC. DPSC contended that it could not use industry's maximum attainable production data as shown because it did not feel the designated quantities could be obtained in the specified time.

The objective of the Industrial Preparedness Planning Program is to reduce the mobilization acquisition objective, or mobilization-funding deficit, as much as possible. However, DPSC, by extending projected production availability from 1 to as much as 4 months, has in effect increased the mobilization-funding deficit for clothing and textile items.

We brought this matter to the attention of DPSC officials, who in turn referred the matter to Defense Supply Agency Headquarters. Headquarters instructed DPSC to contact the applicable planning officer, resolve any differences of opinion between the planning officer and DPSC, and take corrective actions where applicable. Although the DPSC's re-evaluation has been completed, the results were still being validated by the Defense Supply Agency Headquarters, at the completion of our review.

CONSIDERATION OF EXCESSES

Under current procedures, various customers offer their excess material (with a unit value of more than \$7) to DPSC for return and possible credit. DPSC on the basis of current stock balances, acquisition objectives, and obsolescence data, determines whether the material will be accepted for return and, if so, whether credit will be given.

A Defense Supply Agency study in fiscal year 1975 on material returns stated that returns generally result from "clean-up" campaigns, shipment mistakes, mission or program changes, and allowance modifications.

For fiscal year 1976, DPSC authorized the return, with credit, of \$28 million of clothing and textile items. However, only \$6 million of this material was actually returned.

<u>Service</u>	<u>Offered value</u>	<u>Returned value</u>	<u>Not returned</u>	
			<u>Value</u>	<u>Percentage</u>
Army	\$17,584,317	\$3,659,513	\$13,924,804	79
Air Force	7,441,101	1,428,739	6,012,362	80
Marine Corps	1,033,594	309,652	723,942	70
Navy	<u>2,103,626</u>	<u>970,936</u>	<u>1,132,690</u>	<u>53</u>
<b>Total</b>	<b><u>\$28,162,638</u></b>	<b><u>\$6,368,840</u></b>	<b><u>\$21,793,798</u></b>	<b><u>77</u></b>

DSA regulations do not require the customer to justify why returns are not made. We examined several nonreturns but were unable to identify specific reasons why offered materials were not returned.

#### BALANCING OF CLOTHING AND TEXTILE ITEMS

We analyzed several sets of related clothing and textile items, including undershirts/undershorts and trousers/shirts, and found that the requirements were not the same for any of the sets. According to DPSC personnel, some of the reasons for the varying requirements are the dissimilar needs of combat troops (e.g., undershirts are issued to men and women but drawers are only issued to men) and the different wearout assumptions used by the services (e.g., trousers wear out faster than shirts).

Officials within the Office of the Assistant Secretary of Defense (Installations and Logistics) are currently analyzing each service's mobilization-computation requirements to determine the validity of the services' differences relating to sets of items. Your August 16, 1976, letter stated that you did not want us to duplicate DOD's efforts in this area. As a result, we did not determine if the different assumptions used by the services were logical.

#### SAFETY ALLOWANCES

The military services furnish DPSC their individual clothing and textile war reserve mobilization needs. DPSC computes a DOD-wide clothing and textile mobilization requirement incorporating each service's needs. The computation includes a safety level for each item, depending on its classification. An item is classified in various ways, such as initial issue to troops at time of induction (referred to as a bag item), a sized item (shoes or clothes), or a nonsized item (canteens, etc.). The safety level in DPSC's computation will vary from

30 to 75 days' stockage, depending on the item's individual classification. The inclusion of a safety level by DPSC increased its fiscal year 1977 war reserve requirement for clothing and textile items by \$151 million. The rationale for a mobilization safety level is to compensate for any fluctuation in demands during mobilization.

An analysis of each service's mobilization computations would be required to determine if established clothing and textile war reserve stockage levels include appropriate safety allowances. We did not examine the use of safety levels as it would duplicate DOD's current efforts in this area.

### CONCLUSIONS

DPSC has recommended a procedure to prevent the initial stocking of items having commercial substitutes as war reserves. The Center would no longer be required to purchase, maintain, and store the item in war reserve inventory since approved commercial alternates would already be identified. This procedure would not only reduce inventory handling costs but would allow the DPSC to better invest its limited war reserve funds in more essential items. Procedures can be developed whereby the specification-preparing activities would not have to examine every new item for commercial alternates, but would examine only those with the most potential. The procedure would also permit DOD to comply with an Office of Management and Budget memorandum which stipulates that commercial off-the-shelf products be purchased if they adequately serve the Government's requirements.

DOD has a program to identify industry production support needed after mobilization-day in order to reduce the need for large quantities of reserve stocks. DPSC, however, has not effectively implemented this program. DPSC is not offsetting mobilization requirements as instructed and is overstating the mobilization-funding deficit for clothing and textile items.

Only a small amount of material authorized by DPSC for return is actually being returned by the services. Defense Supply Agency regulations do not require the customer to justify why returns are not made, and we were unsuccessful in ascertaining specific reasons why materials offered are not being returned.

RECOMMENDATIONS

We recommend that the Secretary of Defense:

- Require specification-preparing activities to identify commercial alternates at the time of specification development. Study should be limited to those which appear to have the most potential for commercial substitutes.
- Make certain DPSC uses the planned production capability of industries verified by the Defense Supply Agency's industrial specialists. If there is any disagreement, DPSC should contact the industrial specialist for clarification.
- Fully evaluate the clothing and textiles program to determine what improvements are needed at the military services to make certain that excesses are returned.