

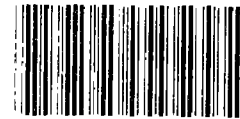
GAO

Report to the Secretary of the Army

September 1987

INVENTORY MANAGEMENT

Army Needs to Reduce Retail Level Excesses



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**National Security and
International Affairs Division**

September 2, 1987

The Honorable John O. Marsh, Jr.
The Secretary of the Army

Dear Mr. Secretary:

We have completed a review of the Army's excess stock of secondary items.¹ We focused on whether such items were being identified by the retail installations and were being reported to the wholesale level National Inventory Control Point (NICP), retained by the installation, redistributed to another installation, or disposed of in some other manner. We also examined the extent that excess items could have been used to avoid or reduce procurements of the same items by wholesale level managers.

Briefly, we found that

- the value of excesses at the installation level increased from \$85.1 million to \$155.3 million from fiscal years 1984 to 1986;
- most of the excess items were not being reported to the NICPs; and
- one NICP had procurements in process for many of the unreported excess items.

Our work is summarized below and described in more detail in the appendixes.

Background

The Army's supply system consists of two levels—wholesale and retail. The wholesale level is comprised of six NICPs and related depots and has responsibility for determining item requirements; procuring the items; and receiving, storing, and issuing the items to retail level installations. The retail level consists of hundreds of installation supply activities that receive the items from the depots and issue the items to users.

When the wholesale level inventory manager issues an item to an installation, responsibility, accountability, and control over the item pass to the retail level inventory manager. Therefore, the wholesale level relies on the retail level to provide information on items that are excess to the retail level's needs and are available for redistribution.

¹An item is excess at the retail level when the on-hand quantity—including items on order, exceeds the installation's authorized stock level. Secondary items consist of assemblies and subassemblies as opposed to end items. Examples are transmissions, engines, differentials, etc.

When the wholesale level manager does not have knowledge of what and how many excess items of a particular type are available at retail locations, the managers must make procurement and redistribution decisions with less than complete information. If the wholesale level manager has complete information on excess items available at retail locations, the manager can delay or avoid procurements and/or increase readiness by redistributing them to locations where they are needed.

Excesses Have Increased at the Installation Level

From September 30, 1984, to September 30, 1986, the value of retail level excess secondary items identified by the six major Army commands² increased 82.5 percent, from \$85.1 million to \$155.3 million. The overall level of excesses peaked at \$165.1 million as of September 30, 1985, and has decreased gradually since then.

As shown in table 1, \$146.3 million, or about 94 percent of the total excesses as of September 30, 1986, was located at U.S. Army Forces Command (FORSCOM), U.S. Army Training and Doctrine Command (TRADOC), and U.S. Army, Europe (USAREUR) installations. Even though excess items are a significant problem in Europe, the amount of excesses is decreasing and for that reason, we did not include USAREUR in our detailed review.

Table 1: Total Value of Excess Secondary Items for the Six Major Army Commands

Command	Dollars in millions					
	September 30, 1984		September 30, 1985		September 30, 1986	
	Amount	Percent	Amount	Percent	Amount	Percent
FORSCOM	\$24.9	29	\$29.2	18	\$61.9	40
TRADOC	18.4	22	21.9	13	31.8	20
USAREUR	36.8	43	97.3	59	52.6	34
Other three commands	5.0	6	16.7	10	9.0	6
Total	\$85.1	100	\$165.1	100	\$155.3	100

A further analysis showed that as of September 30, 1986, about \$78 million, or about 50 percent, of the total excesses represented items procured by the Army Tank-Automotive Command (TACOM), one of the six NICPS.

²Commands are U.S. Army Forces Command; U.S. Army Training and Doctrine Command; U.S. Army Western Command; U.S. Army, Europe; U.S. Army, Japan; and U.S. Forces, Korea.

Most Excess Items Not Reported to the Wholesale Level

Army procedures require that each retail level installation identify its excess items on a semiannual basis³ and send this information to its major command. The major command then compiles the dollar amount of excess items for all of its installations and forwards it to the appropriate NICP. The information on excess items is categorized as "reported," which means the specific items have been previously identified to the NICPs, and "unreported," which means the specific items have not been identified to the NICPs. As shown in table 2, the value of unreported excesses increased over the 2-year period ended September 30, 1986.

Table 2: Reported and Unreported Excess Secondary Items for Six Major Commands

Dollars in millions

Command	September 30, 1984		September 30, 1985		September 30, 1986	
	Amount	Percent	Amount	Percent	Amount	Percent
Reported ^a	\$38.3	45	\$47.5	28.8	\$43.7	28.1
Unreported ^b	46.8	55	117.6	71.2	111.6	71.9
Total	\$85.1	100	\$165.1	100.0	\$155.3	100.0

^aValue of items that have been reported by national stock number to the NICPs and are awaiting disposition instructions from the NICP.

^bUnreported also includes "due in" excesses.

Installation level item managers also identify the excess items on a monthly basis and report all, some, or none of the excesses by national stock number to the NICPs.

With regard to FORSCOM installations, unreported excesses, as a percentage of total excesses, increased from 43 percent in September 1984 to 75 percent as of September 1986. Similarly, unreported excesses for TRADOC installations increased from 29 percent in September 1984 to 74 percent as of September 1986.

Army officials advised us that the unreported figures represent the situation only at a point in time and that the unreported items would be reported during subsequent monthly reporting cycles. We found, however, that items in the unreported category may not be included in the monthly excess list reported to an NICP because installation item managers determine what will be included. For example, as of June 30, 1986, nine FORSCOM and five TRADOC installations were precluding automatic

³Effective June 1985, the reporting cycle for secondary items was changed from a quarterly to a semiannual cycle.

reporting of excesses to the NICPs for 14 percent and 5.7 percent of their line items. According to officials, two of the reasons for not reporting the excesses were (1) an anticipated increase in the requirements for an item or (2) the item is a part of the installation's repair program and thus will be retained at the installation for repair when it becomes unserviceable.

We also found that the 14 installations in our review—nine FORSCOM and five TRADOC—did not report all excesses to the NICP level because they had established unauthorized retention levels for some items. Retention levels are not authorized for (1) items that must be turned-in to receive like items (direct exchange items), (2) items to be automatically returned to the depot, or (3) items selected for intensive management. The nine FORSCOM and five TRADOC installations had established retention levels for 654 line items that met one or more of these criteria. These 654 line items contained 3,473 specific items valued at about \$25 million.

Items Being Bought at the Wholesale Level Were Excess at the Retail Level

As of June 30, 1986, the nine FORSCOM installations in our review had \$45 million of TACOM-procured excess items.⁴ A comparison of the excess items with items being procured by TACOM showed that TACOM had ongoing procurement actions for \$41 million of the \$45 million excess items. Our analyses of the quantity of items being procured with the quantity of items in an excess position showed that \$35.9 million of the procurement actions could be offset by the existing excesses. The difference between the \$41 million of procurement actions and the \$35.9 million of offsets represents the value of the quantity of excess items that exceeded the quantity being procured.

We identified excesses and corresponding shortages at FORSCOM and TRADOC installations for 631 items. In other words, these items were excess at some locations and in short supply at others. Had the wholesale level item manager been aware of this, the excess items, valued at \$3.8 million, could have been redistributed and procurements could have been delayed or avoided.

⁴Information showing a breakdown of the excesses in the reported and unreported categories was not available for the five TRADOC installations; therefore, TRADOC was not included in this analysis

Conclusions and Recommendations

Item managers at the NICPS are often unaware that items may be excess at certain locations and in short supply at other locations. This occurs primarily because item managers at the retail level do not report all of the excess items. Consequently, situations develop where excess items at the retail level are also being procured by the NICPS. If the item managers had complete and accurate information on excess retail level items, the items could be redistributed to locations where needed. Thus, procurements could be delayed or reduced.

To provide the wholesale inventory managers with complete information on excess secondary items at the retail level and enhance their capabilities to make more informed procurement and redistribution decisions, we recommend that the Secretary of the Army:

- Direct retail level item managers to report all excesses, not just those items that the installation level item manager determines should be reported to the wholesale level. In those cases where an installation needs to retain items over its authorized stock level, the installation's item manager should justify the need and obtain the wholesale level manager's concurrence.
- Direct the major commands to eliminate retention levels for those secondary items for which retention levels are not authorized.

Agency Comments and Our Evaluation

In its comments, the Department of Defense (DOD) agreed with our recommendations and generally agreed with the findings presented in the report.

In response to our recommendations, DOD stated that the Army will advise its major commands to (1) report all excess items to the wholesale level and (2) eliminate retention levels for those items for which retention levels are not authorized. Additionally, the Army Logistics Center will be directed to make the necessary changes to the automated systems so that retail level installations cannot preclude the automatic reporting of excess items to the NICPS. The Center will be required to submit a plan for accomplishing this by the end of September 1987.

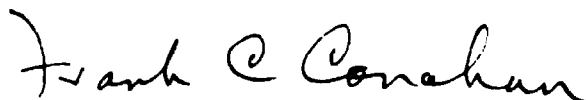
DOD expressed concern about our methodology for computing the amount of ongoing procurement actions that could be offset by existing excess items. We have clarified this section of the report to address DOD's concern.

Overall, DOD's proposed actions for implementing the recommendations should enable wholesale level inventory managers to make more informed decisions concerning procurement and redistribution of excess items.

As you know, 31 U.S.C. 236 requires the head of a federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report. A written statement must also be submitted to the House and Senate Committees on Appropriations with an agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Chairmen of the above Committees; the Chairmen, House and Senate Committees on Armed Services; the Secretary of Defense; and the Director, Office of Management and Budget.

Sincerely yours,



Frank C. Conahan
Assistant Comptroller General

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Abbreviations

DOD	Department of Defense
FORSCOM	U.S. Army Forces Command
NICP	National Inventory Control Point
TACOM	Tank-Automotive Command
TRADOC	U.S. Army Training and Doctrine Command
USAREUR	U.S. Army, Europe

Introduction

The Army's supply system is divided into two major categories — wholesale level and retail level. The wholesale level consists of six NICPS that are responsible for computing wholesale level requirements; buying the items; storing the items at depots; and issuing the items to Army posts, camps, and stations. The retail supply level, often referred to as the installation level supply, also computes requirements, requisitions items from the wholesale system, stores the items, and issues the items to user units.

When an item is issued from the wholesale level depot to an installation, the item enters the retail level system. At that time, responsibility, accountability, and control over the item pass from the wholesale level inventory manager to the retail level inventory manager. Thus, it is imperative that the interaction between these two levels be such that both have sufficient, but not excessive, assets available to meet the needs of their customers in a timely fashion. When stock levels are insufficient to meet a customer's needs, military readiness and capability may be degraded because of unserviceable equipment. When stock levels are excessive, resources may be wasted and other important needs may not be met.

Determining optimum stock levels involves various factors and assumptions. At the retail level, the optimum stock level is referred to as the Authorized Stock Level and consists of the sum of the following three factors.

- Requisitioning objective. A quantity of assets expressed in terms of a specific number of days of supply.
- Retention level. A quantity of assets expressed in terms of a specific number of days of supply that the installation may retain over and above the requisitioning objective.
- Due-out items. Items that an installation's customers have requisitioned but which the installation was not able to fill.

Because the stock level can vary when any one of the three factors change, an installation periodically compares the stock status of its items (assets on-hand plus assets due-in) to the stock level. When the stock status quantity is greater than the stock level, the difference is considered excess. Excess items should be reported to the wholesale level inventory manager for disposition instructions. The excesses can be returned to the wholesale level depot, retained by the retail level installation, redistributed to another installation, or sent to the Defense Reutilization and Marketing Office for disposal.

Prior Audits and Army Actions

Our prior reports on the Army's retail level supply system addressed a common theme: the structure of the Army's supply system precludes effective identification and disposition of excess assets. Because the wholesale inventory manager relinquishes control and accountability over items once they are issued from the depot, the wholesale level item manager relies on information from the installation level about excess items that could be redistributed to other installations with a need. As a result, the wholesale level procured items based on certain installations' needs while these same items were excess at other installations.

To increase wholesale level visibility of items at the retail level, the Army established the Selected Item Management System with a stated purpose of

- implementing DOD directives concerning the need for top-down management of supplies at the retail level by the wholesale level.
- increasing wholesale level awareness of assets at the retail level, and
- providing the wholesale manager with redistribution authority for excess assets at the retail level.

Our follow-up audits to determine whether these objectives were accomplished generally showed that many of the long-standing problems continued because:

- The data base, which depends on input from retail level activities, was not maintained in a up-to-date and accurate fashion.
- Field commanders are reluctant to relinquish control and ownership of retail level inventories to wholesale managers.

Excess Secondary Items Increased Army-Wide Since 1984

Retail level excess secondary items, as reported by the six major Army commands, increased from \$85.1 million in September 1984 to \$155.3 million in September 1986, an increase of 82.5 percent. As shown in figure II.1 and table II.1, the total value of excess items peaked as of September 30, 1985, and has gradually decreased since then.

Figure II.1: Changes in Excess Secondary Items for Six Major Commands (September 30, 1984-September 30, 1986)

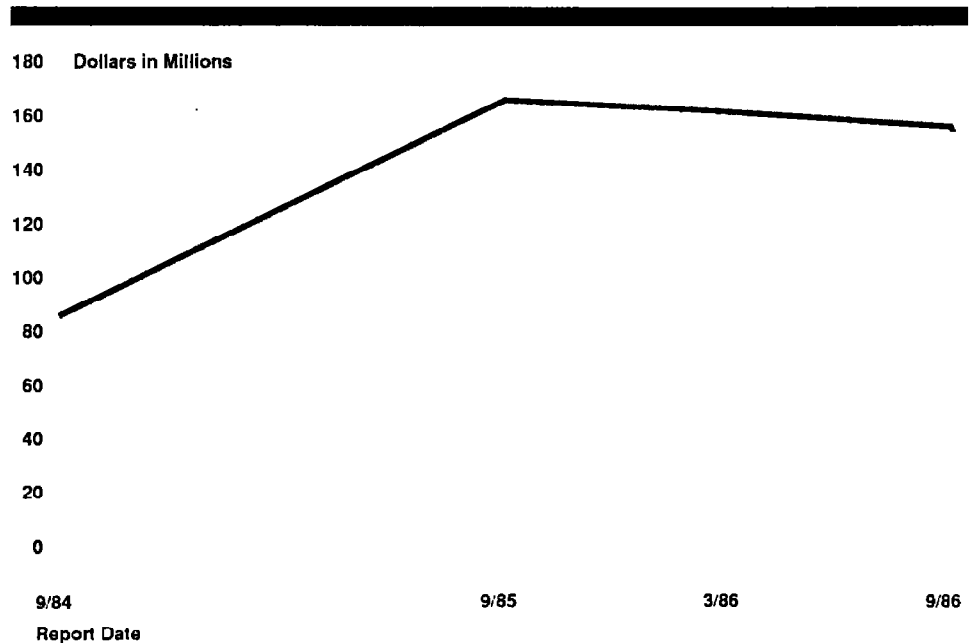


Table II.1: Changes in Excess Secondary Items by Major Command

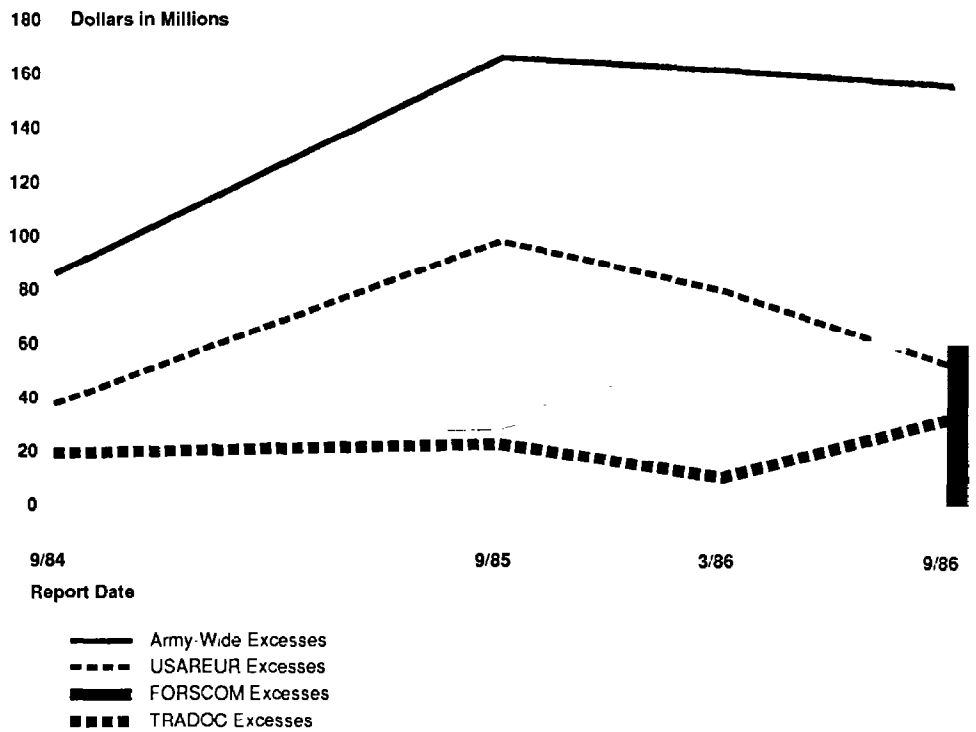
Dollars in Millions								
Commands	9-30-84	Percent	9-30-85	Percent	3-31-86	Percent	9-30-86	Percent
FORSCOM	\$24.9	29.2	\$29.2	17.7	\$54.1	33.7	\$61.9	39.9
TRADOC	18.4	21.6	21.9	13.3	9.6	6.0	31.8	20.5
USAREUR	36.8	43.2	97.3	58.9	79.2	49.3	52.6	33.8
USA-Japan	0.1	0.2	0.1	0.1	1.1	0.7	0.5	0.3
USA-Korea	3.1	3.7	15.5	9.4	15.3	9.5	7.7	5.0
USA-Western	1.8	2.1	1.1	0.6	1.3	0.8	0.8	0.5
Total	\$85.1	100.0	\$165.1	100.0	\$160.6	100.0	\$155.3	100.0

At September 30, 1986, FORSCOM, TRADOC, and USAREUR installations had \$146.3 million of the \$155.3 million, or about 94 percent, of all the Army-wide excesses. The excesses in these three commands increased at

Appendix II
Excess Secondary Items Increased Army-
Wide Since 1984

a rate similar to that of the six major commands as a whole. For example, excess items for the three commands increased from \$80.1 million as of September 30, 1984, to \$146.3 million (82 percent) as of September 30, 1985. Excesses for all six major commands increased from \$85.1 million to \$155.3 million—about 82 percent during the same period. (See figure II.2.)

Figure II.2: Increases in Excess Secondary Items for FORSCOM, TRADOC, and USAREUR as Compared to Total Army-Wide Excesses

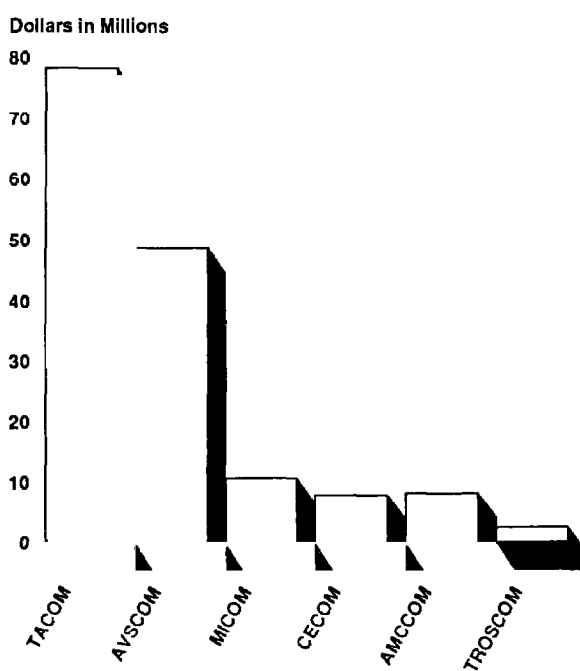


As shown above, Europe had a significant percentage of the excesses. However, we did not include Europe in our detailed review because the amount of excesses has continued to decrease since September 30, 1985. The two commands in our review—FORSCOM and TRADOC—accounted for about 60 percent of the total excesses.

Most Excess Items Are Procured by One Buying Command

Categorizing the Army-wide excesses by buying command shows that most of the excess secondary items were TACOM-procured items. Of the \$155.3 million of secondary items at September 30, 1986, \$78 million (about 50 percent) was for items TACOM had procured and provided to the major commands. (See figure II.3.)

Figure II.3: Army-Wide Excess Secondary Items Categorized by National Inventory Control Point (September 30, 1986)



National Inventory Control Point

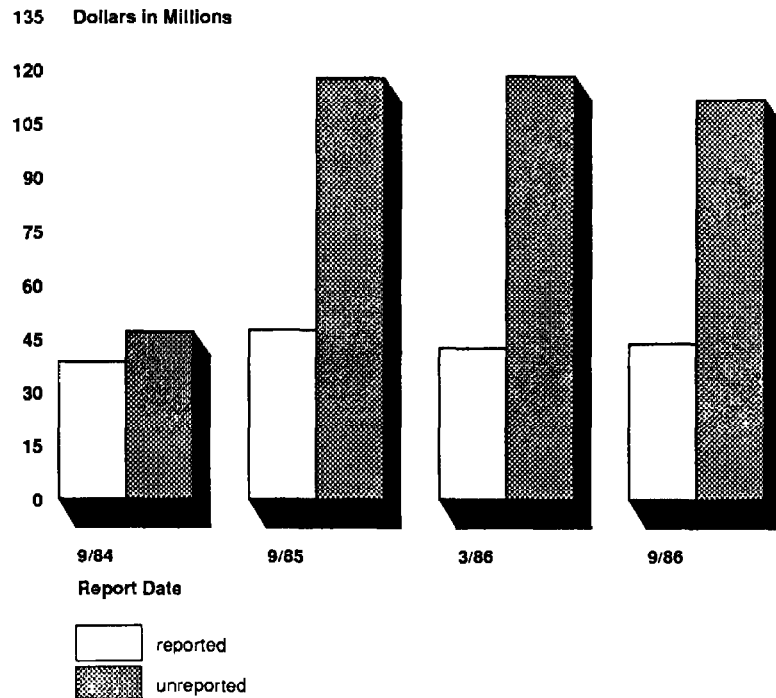
LEGEND:
 TACOM - Tank Automotive Command
 AVSCOM - Aviation Systems Command
 MICOM - Missile Command
 CECOM - Communications Electronics Command
 AMCCOM - Armament, Munitions, and Chemical Command
 TROSCOM - Troop Support Command

With regards to FORSCOM and TRADOC, the two commands at September 30, 1986, had excess secondary items totaling about \$93.7 million, of which \$34.8 million (about 37 percent) was for TACOM-procured items.

Most Excess Secondary Items Not Reported to the Wholesale Level

For the 2-year period ended September 1986, the value of excess secondary items not reported¹ by the six major commands to the NICPS increased from \$46.8 million to \$111.6 million. This represents an increase from 55 percent to 71.9 percent of total excesses. (See figure III.1.) As shown in table III.1, between September 30, 1984, and September 30, 1986, the amount of unreported excesses for FORSCOM and TRADOC increased from \$4.1 million to \$25.4 million, an increase from 38 percent to 74 percent of the total excesses for the two commands.

Figure III.1: Reported and Unreported Excess Secondary Items for the Six Major Commands (September 30, 1984-September 30, 1986)



¹Not reported refers to the fact that the specific items have not been identified to the NICPs. However, the dollar value of the items is reported as part of the semiannual budget stratification report.

Appendix III
Most Excess Secondary Items Not Reported
to the Wholesale Level

Table III.1: FORSCOM and TRADOC
Excess Items Not Reported to TACOM

Dollars in Millions

	Total excesses	Not reported	Percent not reported
Sept. 30, 1984	\$10.7	\$4.1	38
Sept. 30, 1985	9.7	2.7	28
Mar 31, 1986	27.8	18.6	67
Sept 30, 1986	34.8	25.7	74

Army officials contend that the unreported excesses are only at a point in time and that excess items not reported in one period are reported subsequently to the NICP and, therefore, would appear in the reported category on the next period's report. We found, however, that items not reported during a reporting period may not be reported in subsequent periods because items can be coded to preclude reporting and unauthorized retention levels have been established.

Reasons for
Unreported Excesses

Army procedures require installation item managers to report excess items to the NICP. However, these procedures are not being followed, and as a result, the amount and specific types of excess items are not always being reported.

Items Can Be Coded to
Preclude Automatic
Reporting of Excesses

Item managers were programming "freeze flag" codes on items to preclude their being automatically reported as excess to the NICPs. The item manager then screens the item and directs the system to (1) report all the excess quantity to the NICPs, (2) report some of the excess quantity to NICPs, or (3) report none of the excess quantity to the NICPs.

Our analysis of the June 30, 1986, installation supply system computer tapes for secondary items for nine FORSCOM and five TRADOC installations disclosed that freeze flags had been programmed for 14 percent and 5.7 percent of the installations' line items—an average of 532 and 220 line items at FORSCOM and TRADOC, respectively. All of these line items had been classified as "automatic-return-items," which means that the items were in a critical supply position and, by regulation, should have been returned to the wholesale level depot. The following are examples of excesses that should have been reported to NICPs but were not because they had been coded to preclude automatic reporting.

Appendix III
Most Excess Secondary Items Not Reported
to the Wholesale Level

- Fort Hood had 53 excess transmissions (6 unserviceable and 47 due-in units). The transmission is used in the Bradley Fighting Vehicle and has a unit price of \$89,215.
- Fort Hood had 19 excess engines (13 unserviceable and 6 due-in units). The engine, with a unit price of \$79,493, is used in M-51, M-74, and M-88 tank retrievers.

It was not possible to determine how often item managers elected not to report all the excesses to the NICP. However, these examples and the ones shown in table III.2 demonstrate the flexibility item managers have in deciding what excesses to report.

Table III.2: Examples of Secondary Line Items With Freeze Codes and Not Reported to the NICPs

Command/installation	Item	Unit price
FORSCOM		
Ft Hood	Transmission	\$89 215
	Transmission	42 640
	Engine	79 493
	Engine	24 217
	Engine	11 977
Ft Lewis	Range finder	21 247
	Amplifier	74 606
	Gear box	133 176
	Transmission	100 090
	Engine	105 694
Ft Ord	Transmission	66 202
	Engine	352 000

Unauthorized Retention Levels

Unauthorized retention levels were established for 654 separate line items at the nine FORSCOM and five TRADOC installations. The value of the retention level items associated with the 654 line items was about \$25 million.

Army regulations provide that a retention level is not authorized for (1) direct exchange items, (2) items to be automatically returned to the depot, or (3) items selected for intensive management. All the 654 items met at least one of these criteria. Because of the unauthorized retention levels, the items were actually excess even though they were not identified as such. Table III.3 shows the number and dollar value of secondary items with unauthorized retention levels as of June 1986 at the FORSCOM and TRADOC installations.

**Appendix III
Most Excess Secondary Items Not Reported
to the Wholesale Level**

**Table III.3: Secondary Line Items With
Retention Levels as of June 30, 1986**

Dollars in Millions

Major Command	Line items with retention levels	Retention level assets	Dollar value of retention level assets
FORSCOM	319	2,632	\$18.5
TRADOC	335	841	6.5
Total	654	3,473	\$25.0

Because of the unauthorized retention levels, the amount of excesses reported by the nine FORSCOM installations and five TRADOC installations at June 30, 1986, was understated \$18.5 million and \$6.5 million, respectively.

Items Excess at the Retail Level Are Being Procured at the Wholesale Level

Wholesale level item managers are procuring secondary items that are excess at retail level installations because once an item is issued from the wholesale level depot to the installation, managers no longer control the item. In deciding the items and the quantities to procure, wholesale item managers only know the asset positions at the wholesale level and the reported excesses from the retail level. The manager does not know about unreported excesses at the retail level.

As of June 30, 1986, the nine FORSCOM installations in our review had \$45 million of TACOM-procured excess items.¹ A comparison of the excess items with items being procured by TACOM showed that TACOM had ongoing procurement actions for \$41 million of the \$45 million excess items. Our analyses of the quantity of items being procured with the quantity of items in an excess position showed that \$35.9 million of the procurement actions could be offset by the existing excesses. The difference between the \$41 million of procurement actions and the \$35.9 million of offsets represents the value of the quantity of excess items that exceeded the quantity being procured.

Redistribution of Excesses

At the nine FORSCOM and five TRADOC installations, we identified 82 item family groups of items for which there were shortages at some installations and excesses at other installations. There were 1,760 excess assets, valued at \$13.9 million, that had corresponding shortages of 631 for the same assets. The 631 shortages, valued at about \$3.8 million, could have been satisfied by redistributing items from locations where excesses existed and by canceling the associated due-in requisitions. The remaining 1,129 excess items, valued at about \$10.1 million, could have been returned to the wholesale level depot and used to reduce current or future procurements.

If excess items are to be redistributed to fill shortages, the wholesale level item manager must be aware of the excesses at the retail level. We found that item managers often times did not know all the excess items that were available at the retail level. Additionally, they lacked the necessary control over retail level items to redistribute items from one location to another because ownership passes to the retail level and installation commanders are reluctant to relinquish ownership and control. Even if they do not have an immediate need for the item, retail item managers would rather retain it for a possible later need.

¹Information showing a breakdown of the excesses in the reported and unreported categories was not available for the five TRADOC installations; therefore, TRADOC was not included in this analysis

**Appendix IV
Items Excess at the Retail Level Are Being
Procured at the Wholesale Level**

Table IV.1 shows examples of unreported excess items at selected installations that are being procured by TACOM to meet the needs at other locations.

**Table IV.1: Examples of Unreported
Excess Items Being Procured by TACOM**

Major end item supported	Installation		Quantity being procured by TACOM ^a
	Unit price	Excess quantity at June 30, 1986	
Bradley Fighting Vehicle:			
Transmission	\$89,215	55	940
Engine	26,307	35	523
Tank Recovery Vehicle:			
Transmission	100,090	32	241
Engine	79,493	30	256
Transmission drive assembly	23,409	33	376
2-1/2 Ton Vehicle:			
Engine-Multi-fuel	11,626	227	8,173

^aTACOM procurement actions include unfunded procurement work orders, funded work orders, and firm contracts.

Objective, Scope, and Methodology

Our objective was to determine whether Army retail level installations were reporting their excess secondary items to the wholesale level so that these assets could be returned to the wholesale supply system, redistributed to other installations, or otherwise disposed of.

To determine whether excesses at the installation level are increasing, we examined Procurement Appropriations, Army, secondary item field excess trend data for the period September 1984 to September 1986 for the six major Army commands. Our review of Army retail level excesses was performed at nine FORSCOM and five TRADOC installations. The specific installations were selected on the basis of their use of TACOM-procured items. In total, these two major commands account for about 60 percent of total Army excesses at the retail level. At the wholesale level, we selected TACOM because it was the buying activity for about one-half of the items identified as excess.

We visited and interviewed DOD and Army officials at the following activities:

- Department of Defense
Office of the Assistant Secretary of Defense
Maintenance and Supply Division,
The Pentagon, Washington, D.C.
- Department of the Army
Deputy Chief of Staff for Logistics,
The Pentagon, Washington, D.C.
- FORSCOM
Headquarters, Fort McPherson, Georgia
Fort Hood, Texas
Fort Lewis, Washington
- TRADOC
Headquarters, Fort Monroe, Virginia
Fort Bliss, Texas
- U.S. Army Materiel Command
U.S. Army Tank-Automotive Command, Warren, Michigan
U.S. Army Depot Systems Command, Mechanicsburg, Pennsylvania

In order to determine the magnitude of retail level excesses for the two major commands and what items comprised these excesses, we obtained Standard Army Installation Level Supply system computer data tapes and Quarterly Budget Stratification Reports of Secondary Items from the following FORSCOM and TRADOC installations:

Appendix V
Objective, Scope, and Methodology

FORSCOM

Fort Bragg, North Carolina
Fort Campbell, Kentucky
Fort Carson, Colorado
Fort Hood, Texas
Fort Lewis, Washington
Fort Ord, California
Fort Polk, Louisiana
Fort Riley, Kansas
Fort Stewart, Georgia

TRADOC

Fort Bliss, Texas
Fort Eustis, Virginia
Fort Gordon, Georgia
Fort Knox, Kentucky
Fort Sill, Oklahoma

The budget stratification reports for secondary items submitted by the six major Army commands provided the dollar value of excess items as of September 30, 1984, September 30, 1985, March 31, 1986, and September 30, 1986. These reports also show the dollar value of excesses reported, unreported, and due-in.

The nine FORSCOM installations also provided us with copies of the Quarterly Stratification Report Detail Stock Number List containing item specific data on excess assets as of June 30, 1986. Similar data were not available from TRADOC. This list stratifies excesses by the NICP that procures the item and identifies the quantity of assets that are (1) serviceable and unserviceable, (2) reported or unreported to the NICP, and (3) due-in. Installations do not forward this list to either the applicable major command or the NICP.

In order to determine whether any of the retail level excesses were being procured at the wholesale level, we examined Procurement Appropriations, Army, secondary item data as of July 10, 1986, from TACOM's Master Data Record File that showed the items' primary and substitute national stock numbers. The data also identified, by line item, the number of items for which there were ongoing procurement actions. These actions included unfunded procurement work orders, funded procurement work orders, and firm contracts.

We then matched the nine FORSCOM installations' computer tapes with TACOM's master file to ensure that each secondary item family group (primary and substitute national stock numbers) was identified. Using this information, we computed the number and value of excess items at the nine FORSCOM installations for secondary items being procured by TACOM. We reviewed TACOM procurement actions and applied, where applicable, the number and value of installation excesses to offset current and future procurement quantities of these secondary items. We also used the data to identify the quantity of installation excess secondary item

assets that TACOM could use in satisfying requirements through redistribution.

We discussed our methodology for extracting and analyzing system data with system analyst officials from FORSCOM and TACOM, who agreed with our methodology. Our work was performed from December 1985 to April 1987 in accordance with generally accepted government auditing standards except that we did not perform a reliability assessment of Army data systems used in our analyses. To perform such an assessment would have required time-consuming physical inventories of the items to ensure that the asset balances shown on the data tapes were correct.

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