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UNITED STATES GENERAL ACCOUNTING OFFICE
 WASHINGTON REGIONAL OFFICE
 FIFTH FLOOR
 803 WEST BROAD STREET
 FALLS CHURCH, VIRGINIA 22046

NOV 5 1970

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 Commander, Naval Supply Systems Command
 Department of the Navy
 Washington, D.C.



Dear Sir:

The General Accounting Office has conducted a survey of the method used to compute requirements for materials handling equipment, a program administered by the Naval Supply Systems Command. In recent years, Navy budget submissions for materials handling equipment, such as forklift trucks, tractors, and cranes, have averaged about \$11 million annually and represent a sizable and recurring investment on the part of the Government.

Our survey of the materials handling equipment program indicated a need for improvement in the management controls at the Naval Supply Systems Command to assure that equipment inventories are maintained at the minimum feasible level. Essentially, we believe that action should be taken by the Command to assure that (1) improvement is made to the inventory reporting system established for materials handling equipment, (2) equipment utilization standards are established by the using field activities, and (3) increased Command attention is given to equipment with low utilization rates to assure continued need. Details on each of our observations follow.

NEED FOR IMPROVEMENT IN THE
 MANAGEMENT REPORTING SYSTEM

The Command, in exercising its management control, has established a requirement for an annual report on materials handling equipment to be prepared by the Naval Material Command Support Activity. This computer-generated report is intended to provide management with data on the Navy-wide central inventory to substantiate budget requests to the Congress, to formulate equipment shopping lists, and to establish, among other things, equipment allowances systemwide.

We found that the Command has not received an annual materials handling equipment report from the Support Activity since December 1968. The failure to receive this report appears to have caused a substantial administrative burden on both the Command and various Navy field activities. In this regard, our review indicated that the Command has attempted to generate and manually compile data normally contained in the computer report. Additionally, we observed that certain data received from the

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Support Activity--after repeated requests--were not considered usable by the Command because of unacceptable error factors in the data processed, omissions of data, and the duplicate processing of transactions.

During our survey we did not visit the Support Activity and, consequently, are not aware of the specific problems the Activity is having in trying to provide the information required by the Command. However, because accurate and timely inventory data are required by the Command to properly determine equipment needs and to ascertain how available resources can best be distributed and used, we believe action should be taken to promptly resolve the reporting problem. Accordingly, a copy of this letter is being sent to the Commanding Officer, Naval Material Command Support Activity, to emphasize the importance of coordinating the efforts of both the Command and the Support Activity to satisfactorily resolve this matter.

ACTIVITY UTILIZATION STANDARDS NOT
ESTABLISHED IN ALL CASES

The Naval Supply Systems Command's management objectives and administrative procedures governing the reporting, acquisition, utilization, replacement, and disposal of materials handling equipment are contained in Instruction 10490.22 dated October 22, 1965. This instruction provides, in part, that each activity is to establish local utilization standards to determine equipment requirements and to ascertain the effectiveness of equipment assignments. These standards which are intended to be the criteria for effective equipment utilization are required to be submitted with equipment utilization reports to the Command so that equipment allowances can be reviewed and, when necessary, revised.

To ascertain the field activities' compliance with this requirement, we selected at random 16 activities and determined whether they had submitted local equipment utilization standards to the Command. We found that the majority of the activities examined had not established or submitted utilization standards. In addition, we found that other activities had submitted standards for only a portion of their assigned materials handling equipment.

In our opinion, the Command cannot adequately evaluate the appropriateness of equipment allowances without having utilization standards to compare against activity utilization reports. Such a comparison is essential if the Command is to make meaningful recommendations to the Chief of Naval Operations, as required, regarding activity equipment requirements and changes to established equipment allowances. Accordingly, we suggest that the Command identify those activities which have not established utilization standards for materials handling equipment and take appropriate action to assure that these standards are developed and reported to the Command.

LOW UTILIZATION OF EQUIPMENT BY ACTIVITIES
WITH ESTABLISHED STANDARDS

The Command--as the Navy's central manager for materials handling equipment--is concerned with assuring that equipment inventories and related costs are maintained at the minimum feasible level. In this regard, existing procedures provide that authorized equipment allowances are to be based on such factors as the activity's mission, the geographic and environmental site conditions, and the workload of the specific activities. In addition, as previously indicated, local utilization standards are expected to provide the criteria for determining effective equipment utilization.

In examining the reported equipment usage of several activities having established utilization standards, we noted many instances in which equipment usage was not meeting activity utilization standards. In this regard, we found that 65 percent of the equipment reviewed was utilized less than the standard set by the activity. Similarly, we noted that several Naval Area Audit Service reports had included comments on the low utilization of equipment at specific activities which resulted in allowances being reduced.

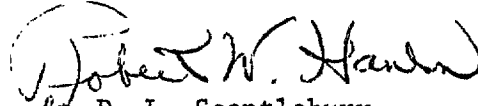
Based on the foregoing, we believe that the Command could achieve its goal of holding allowances at the minimum feasible level if increased management attention is given by the Command to the actual usage experience of equipment. Accordingly, we believe the best interests of the Command would be served if a review were made of activity equipment utilization, adjustments made where appropriate, and equipment reassigned where feasible.

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We wish to acknowledge the courtesies and cooperation extended to our representatives during the review. We would appreciate receiving any comments you might have on this report.

Copies of this letter are being sent to the Chief of Naval Material and the Office of the Comptroller of the Navy, Department of the Navy.

Sincerely yours,


D. L. Scantlebury
Regional Manager



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Commanding Officer
Naval Material Command Support Activity
Department of the Navy
Room 770, Webb Building
Washington, D.C. 20360

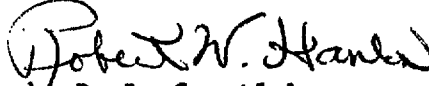
Dear Sir:

Recently, the General Accounting Office conducted a survey of the method used to compute requirements for materials handling equipment, a program administered by the Naval Supply Systems Command.

One of the observations made during our survey concerned the need for improved reporting by the Naval Material Command Support Activity. Although the Support Activity is required to prepare and submit an annual materials handling equipment report to the Command, our survey indicated that the Support Activity was having problems in providing this information.

We believe a coordinated effort between the Command and the Support Activity is required to correct the reporting problem. Accordingly, a copy of our letter report to the Command is being submitted to you for your use and information. We would appreciate receiving any comments you might have in regard to this matter.

Sincerely yours,


D. L. Scantlebury
Regional Manager