



095508
2.47.59
72-0373
OCT 6 1971
UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

DEFENSE DIVISION

B-163478



6 Dear Mr. Secretary: 5

Our recent review of the material utilization program at the Defense Logistics Services Center (DLSC) and five inventory control points showed that substantial improvements have been achieved since our last review in 1968. Inventory control points are improving the accuracy of information reported to DLSC and are advising DLSC--on a more timely basis--of material accepted, rejected, and shipments denied.

During fiscal years 1969 - 1971, material valued at \$173 million was transferred within and between services under the centralized screening program. In 1969, material transferred was valued at \$51.9 million, while in 1971 it had increased to \$68.1 million. This represents an increase of about 31 percent.

However, we believe the program could be more effective if DLSC were to screen requirements for the Defense Supply Agency (DSA) as it does for the other military activities. We believe the inclusion of DSA requirements under the centralized screening program would eliminate the need for separate screenings now performed by DSA centers.

During our review, we noted that actions taken by the Army and Air Force have improved the accuracy of the information they are reporting to DLSC. On the other hand, we noted that the Navy has not improved the accuracy of its information.

We are advising you of these matters so that needed management attention will be given to them to further increase the effectiveness of the material utilization program.

DEFENSE SUPPLY AGENCY CENTER PARTICIPATION
IN THE CENTRALIZED SCREENING PROGRAM

As a means of more effectively determining whether material was available in one service to satisfy the need of another service,

BEST DOCUMENT AVAILABLE

095508

DOD assigned DLSC the responsibility of establishing, operating, and maintaining a centralized screening program. Under this screening program, each military service inventory control point informs DLSC regarding material it needs and assets available for transfer. From that information, DLSC determines whether transfers of material can be made and notifies the organization that needs material where it can obtain it.

Items in certain federal supply classes have been assigned for sole management to designated DSA centers. Those DSA centers normally have the complete information on defense-wide requirements and availability of stock for those items without resorting to a special screening program.

However, as early as 1966, DSA recognized that assets supposedly under its sole management were being reported to the DLSC screening program by military service inventory control points. To preclude concurrent buying and selling of those assets, DSA set up a system whereby assets reported for centralized screening are reviewed to determine whether they have been assigned for sole management. Assets thus identified are reported to the applicable DSA center where they are screened to determine whether they are needed. This double screening has increased the use of excess material. For example, in 1970 the DLSC screening process identified over \$1 million worth of assets which were needed by one DSA center to meet its requirements.

The DLSC screening program is operating effectively for the Army, Navy, Air Force, and Marine Corps and could be just as effective for the DSA centers if they reported their requirements to DLSC. Inclusion of DSA center requirements in the DLSC screening program would eliminate the need for the double screening.

NAVY REPORTING INACCURATE INFORMATION

In 1968, we reported that information submitted to DLSC was not always accurate. Our current review showed that the Army and Air Force activities are now reporting more dependable data, but the Navy is not. Because of its inaccurate information, the Navy in fiscal year 1969 was unable to ship 68 percent of the dollar value of requisitions received for assets they had reported to DLSC as available for transfer. In fiscal year 1971, the Navy was unable to ship 80 percent of its requisitions.

The Navy's inability to fill requisitions was due in large part to inaccurate asset and requirements data reported by the Navy Aviation Supply Office (ASO). Some of the data were submitted to DLSC even though they were known to be inaccurate. Other data were considered by ASO officials to contain such errors that they were withheld completely from DLSC.

Inaccurate information results in the reporting of incorrect quantities available for redistribution and misleading data regarding needed material. We believe that the Navy should place increased emphasis on submitting accurate data to DLSC.

We believe that the inaccurate information submitted by ASO resulted in part from its failure to maintain historical records which are necessary for adequate management. ASO's computerized supply system is designed to operate on a real-time basis, and provisions have not been made for maintaining readily available historical files. Once a decision has been made and the records updated, the basis for the decision is lost. No historical record has been provided for determining whether any action was taken, whether the action taken was appropriate, or whether the action was based on accurate data.

In our opinion, historical records are essential in any supply system because an item's past activity is the principal basis for projecting future requirements. Moreover, without these data, ASO management cannot adequately evaluate how effective they have been in carrying out their assigned mission.

RECOMMENDATIONS

5 We recommend that you require DSA centers to submit their needs to DLSC for screening under the centralized screening program. To hold offer rejects and shipment denials to a minimum, we recommend that the Navy be directed to place greater emphasis on improving the accuracy of data submitted to DLSC. In addition, we recommend that ASO incorporate in its computer system the capability to maintain historical data. 107

The above recommendations are subject to the provisions of Section 236 of the Legislative Reorganization Act of 1970. We will appreciate receiving copies of the statements you furnish the specified committees in accordance with these provisions.

If you desire, we will be glad to discuss these matters in greater detail with you or with your staff.

BEST DOCUMENT AVAILABLE

B-163478

Copies of this letter are being sent to the Secretaries of the Army, Navy, and Air Force, and to the Director, Defense Supply Agency.

Sincerely yours,

E. M. Bailey

Director

The Honorable
The Secretary of Defense

BEST DOCUMENT AVAILABLE