REPORT TO THE CONGRESS

Need To Remove More Low-Cost, Low-Usage Items From Inventories B-133118

Department of Defense

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

MARCH 31, 1971

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

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To the President of the Senate and the
Speaker of the House of Representatives

This is our report on the need for the Department of Defense to remove more low-cost, low-usage items from inventories.

Our 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).

Copies of this report are being sent to the Director, Office of Management and Budget; the Secretary of Defense; the Secretaries of the Army, Navy, and Air Force; and the Director, Defense Supply Agency.

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D I G E S T

WHY THE REVIEW WAS MADE

This follow-up review was made to evaluate the effectiveness of a Dep ment of Defense (DOD) program to eliminate low-cost, low-usage items the DOD supply system.

A General Accounting Office (GAO) report to the Congress in October 1 stated that substantial savings could have been achieved by eliminati such items, which numbered 1.2 million. DOD agreed and cited a progr instituted for that purpose.

FINDINGS AND CONCLUSIONS

The Problem Still Exists

Despite partially successful efforts to eliminate unneeded items, DOD continues to incur costs of millions of dollars a year to maintain la inventories of low-cost items that are seldom, if ever, needed by the military services. Examples of the items are listed in appendixes II and III, pages 30 to 34.

From April through September 1969, inventories of four DOD organizations reviewed by GAO contained an estimated 304,000 low-cost items, with assets valued at about $61 million, which had been in the supply system for at least 4 years and for which there had been little or nc usage for 2 or more years. (See pp. 6 and 12.)

GAO believes that there are still as many as 900,000 low-cost items i the DOD supply system that are seldom, if ever, needed. The annual carrying cost for each item of inventory is from 20 to 25 percent of the value of the item. (See pp. 6 and 12.)

DOD's Program

DOD's program

- --is not being implemented timely or effectively by all inventory m agement organizations (see p. 7);
- --permits prolonged retention of inactive items without adequate ju tification and without consideration of commercial availability (see pp. 9 to 11 and 14); and

--does not provide for identification and elimination of low-cost, slow-moving items that can be readily obtained from commercial or Government manufacturing sources. (See p. 13.)

DOD Audit

In 1970 DOD internal auditors after examining the problem reported findings similar to those described here. In GAO's opinion, the frequency and scope of the internal audit coverage of this area is adequate. (See ch. 5, pp. 18 to 19.)

RECOMMENDATIONS OR SUGGESTIONS

GAO proposed that DOD improve its program for elimination of items from the supply system so that

--stock retention policies of inventory management organizations do not restrict systematic identification and removal of low-cost inactive items (see p. 11);

--inactive items are promptly removed from the supply system unless there are valid future needs that cannot be readily and economically met by purchase or fabrication of stocks as needed (see pp. 11 and 17);

--provision is made for periodic identification and elimination of low-cost, slow-moving items that can be obtained readily and economically from commercial or Government manufacturing sources (see p. 13); and

--all inventory management organizations give the program a high priority. (See p. 11.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

The Acting Assistant Secretary of Defense (Installations and Logistics) agreed, in general, with GAO's findings and recommendations and reported a number of corrective actions taken or planned. (See pp. 20 to 21.)

GAO believes that the corrective actions, if carried out effectively, will eliminate unneeded items stocked in the DOD supply system. GAO believes also that additional opportunities exist to eliminate unneeded items from the DOD supply system. GAO recommends that a special DOD program for accelerated removal of inactive items under the Defense Supply Agency's integrated management be applied also to inactive items managed by the military services. (See p. 21.)

GAO recommends further that DOD consider the feasibility of revising its Defense Inactive Item Program to provide for continuing systematic

removal of all items in the DOD supply system for 5 years that have no usage for the past 2 years. (See p. 21.)

MATTERS FOR CONSIDERATION BY THE CONGRESS

This report will inform the Congress of (1) the potential for substa tial savings through removal of unneeded items from the DOD supply s tem and (2) actions taken or planned by DOD toward that end.

Tear Sheet

Contents

ABBREVIATIONS

DOD	Department of Defense
DSA	Defense Supply Agency
GAO	General Accounting Office

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CHAPTER 1

INTRODUCTION

In October 1967 the General Accounting Office issued a report to the Congress entitled "Substantial Savings Available By Eliminating Low-Cost, Low-Demand Spare Parts From Defense Supply System," B-133118. Department of Defense officials agreed that there were many inactive items that should be eliminated from the supply system, and they cited a number of programs that were in existence or planned, which they believed would eliminate the inactive items.

We have examined into the extent of the implementation and effectiveness of those DOD programs. Our main objective was to identify opportunities for improving those programs. The scope of our review is contained in chapter 7.

The inventory management organizations of the Departments of the Army, Navy, and Air Force and the Defense Supply Agency (DSA) are responsible for determining whether items of supply under their cognizance will be bought and stored for future issues to military users or bought only when needed and shipped directly to users. They are also responsible for identifying potentially inactive items and eliminating them from the supply system. The following DOD programs provide the procedures, guidance, and criteria to make those determinations.

DOD Instruction 4140.7, dated January 12, 1965 (Subject: Control, Supply, and Positioning of Materiel), provides the policy and criteria for making determinations as to whether new items of supply will be stocked in the DOD supply system for future issue to military users or will be purchased and shipped directly to users when needed. These determinations are made initially at the time a new weapon or piece of equipment is purchased.

In general, this instruction provides that items which can be obtained commercially or fabricated locally within 30 days and for which annual dollar issues are not expected to exceed $100 will not be stocked in the supply system. Instead, this type of item is to be purchased only when needed and shipped directly to the user.

DOD Manual 4140.32, dated July 1968, established the Defense Inactive Item Program. The basic objective of this program is the systematic identification and elimination of inactive items from the DOD supply system on a continuous basis.

This program required inventory management organizations to systematically screen their inventories on a continuous basis to identify inactive items so that a determination could be made as to whether they would be retained in, or eliminated from, the supply system. An inactive item is one that has been in the system a minimum of 4 years with no usage for the past year.[1]

During 1969 DOD inventory management organizations were centrally managing about 3.8 million different items. About 1.8 million of these items, or about 47 percent, were valued at $10 or less for each unit of issue. For the four inventory management organizations included in our review, these data are as follows:

Inventory management organization	Total items managed	Those valued at $10 or less	Percent
Army Electronics Command	124,901	52,234	41.8
Navy Electronics Supply Office	119,688	46,391	38.8
Air Force Sacramento Air Materiel Area	82,343	38,633	46.9
Defense Electronics Supply Center Defense Supply Agency	639,640	434,136	67.9
Total	966,572	571,394	59.1

[1]GAO used a 2-year no usage criteria for identifying low-cost inactive and slow-moving items in order to measure DOD's progress in eliminating such items subsequent to our October 1967 report in which we pointed out that there were over 1.2 million of such items in the DOD supply system. (See pp. 1, 6, and 12.)

CHAPTER 2

ELIMINATING LOW-COST INACTIVE ITEMS FROM INVENTORIES

Despite efforts made by DOD during the past 5 years to eliminate inactive items from inventories, the supply systems of the military services and DSA still contain large stocks of low-cost items for which there have been no issues to customers for appreciable periods of time. During the period April through September 1969, inventories of the four inventory management organizations included in our review contained an estimated 101,000(1) low-cost items, with assets valued at about $12 million,[1] which had been in the supply system for a minimum of 4 years and for which no issues were made to customers during the past 2 years.

If our findings are representative of DOD inventories, we believe that there may be over 300,000 low-cost inactive items in the DOD inventories. DOD recently estimated that there were at least 800,000 inactive items in its supply system which might warrant elimination. This DOD estimate is not limited to low-cost items but includes all inactive items regardless of cost.

Cost studies made by the military and industry show that annual inventory carrying costs are from 20 to 25 percent of the dollar investment in inventory. On this basis, we estimate that DOD is incurring costs of millions of dollars annually to maintain large inventories of low-cost items which are not needed by military customers.

We attribute DOD's limited progress in eliminating stocks of low-cost inactive items to (1) delays in implementation of the Defense Inactive Item Program, (2) ineffective implementation of DOD's program, and (3) weaknesses in the program.

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[1]The estimates were arrived at by using generally accepted statistical-sampling techniques.

DELAYS IN IMPLEMENTATION

In January 1965 DOD established a one-time program for the identification and removal of inactive items from the DOD supply system. This program was subsequently postponed by DOD to permit implementation of other defense programs assigned higher priorities. In July 1968 DOD reactivated its program for elimination of inactive items when it issued the Defense Inactive Item Program manual. This manual contains uniform policy, criteria, and procedures for the systematic identification and elimination on a continuous basis of inactive items from the DOD supply system and the Federal supply catalog. DOD directed its inventory management organizations to fully implement the Defense Inactive Item Program by December 31, 1968.

The target date was later slipped to December 31, 1969, because DOD inventory management organizations did not have the capability to systematically identify and review inactive items. For the most part, inactive items were not reviewed because of other supply programs which were assigned higher priorities. When DOD issued revised policy criteria and procedures in January 1970, the target date was slipped to December 31, 1970.

INEFFECTIVE IMPLEMENTATION

At the Army, Navy, and Air Force activities included in our review, we found that many items which were candidates for removal from the supply system were excluded either from inactive-item review or from subsequent disposal action, because of conflicting local criteria for retention and disposal of stocks. We did not find similar conditions at the Defense Supply Agency activity.

Details concerning this matter are presented below.

Army

We found that the Army Electronics Command excluded from inactive-item reviews all replacement parts for special tools used to repair electronic equipment authorized to be on hand at the user level. Potential users of those parts had not ordered replacement quantities for the past

2 years, which indicated that they were no longer needed. The command made no attempt to determine whether there was a future need for those parts.

Of the estimated 12,179 low-cost items which we identified as candidates for inactive item review, approximately 62 percent were excluded from such reviews for this reason. We were advised by officials of this command that subject items were not considered as candidates for elimination, because a former commanding general had established a policy during the Vietnam buildup, which provided for a 10-year retention of these items regardless of past usage.

Navy

The Navy Electronics Supply Office limited inactive-item reviews to items having no on-hand inventory and no stock requirements. We found that this activity had assigned minimum stock requirements to most of its inactive items. This precluded them from being subjected to inactive-item reviews. For example, in fiscal year 1969 inactive-item reviews were made on only 247 items out of an estimated 12,429 low-cost items which we identified as qualifying for inactive-item review under DOD's policy.

Air Force

At the Air Force Sacramento Air Materiel Area, we found that the Air Force disposal policy precluded elimination of items with assets valued at less than $1,000. For example, 832 units of an item (shim set, FSN 5841-720-6297-LF), valued at 33 cents each, could not be disposed of under Air Force policy because the on-hand inventory value as of June 30, 1969, was about $275. This item qualified for disposal under the Defense Inactive Item Program on the basis that there had been no issues to users during the past 2 years and that there were no apparent future requirements.

The Air Force disposal policy mentioned above precluded supply system elimination of approximately 99 percent of the estimated 5,050 low-cost inactive items identified by us as candidates for item elimination.

WEAKNESSES IN DOD PROGRAM

The Defense Inactive Item Program permits retention of inactive stocks for a maximum period of 8 years on the basis of periodic determination and certification by the military services that the stocks are needed for (1) future support of weapon systems or other active equipment, (2) insurance purposes because of long production lead time, and (3) mobilization reserve or military assistance program requirements.

The initial determination and certification of whether an item will be retained in the supply system or removed is made after the item has been in the system 4 years and experienced no issue activity during the preceding year. Items which are retained in the system after the initial inactive-item review for one or more of the reasons mentioned above are thereafter subjected to annual follow-up reviews until the need for such reviews are obviated because of stock issues or disposals.

The Defense Inactive Item Program does not provide for periodic independent verification of the validity of reasons cited by the military services and DSA for retaining inactive stocks. Our review indicates that significant numbers of low-cost inactive items are being retained in the supply systems for prolonged periods without adequate justification of need.

The results of inactive-item reviews performed by the inventory control points reviewed by us are presented below.

Defense Supply Agency

In fiscal year 1969, the Defense Electronics Supply Center sought the concurrence of military users to eliminate 59,724 inactive items. This activity retained 42,190 of these items on the basis of certifications by the military users that retention was warranted under one or more reasons authorized by the Defense Inactive Item Program. The primary reason cited by military users for retention was weapon system application.

In order to verify the validity of the reasons cited by military users, we examined into the reasonableness of certifications by a Navy user that retention of inactive stocks for 10 items was warranted because of future weapon system support requirements. Our examination disclosed that the Navy user's basis for the retention certifications was arbitrary and that a determination of need had not been made.

At our request the Navy user reviewed its needs for inactive stocks of the 10 items and found that there were no future requirements for six of the items. Subsequently, the Navy user authorized the Defense Electronics Supply Center to dispose of the six items.

Army

In fiscal year 1969, inactive-item reviews were made on 12,997 items by the Army Electronics Command. Decisions were made to retain stocks for 9,250 of these items on the basis that they were needed for future support of equipment on hand at the user level.

This command did not determine whether these needs were valid on the basis of past usage or predicted future requirements. Instead, the decisions were made solely on the basis that the activity's records showed that these items were authorized to be on hand at the user level.

Navy

In fiscal year 1969, the Navy Electronics Supply Office identified and scheduled 247 items for inactive-item review. As of February 1970, no decision had been made to retain or delete these items, because of the low priority assigned to these reviews.

Also we found that all items managed by DSA, which were referred to this organization in fiscal year 1969 for a retention or deletion decision, were arbitrarily marked for retention, because of a lack of personnel to determine requirements.

CONCLUSIONS

We believe that DOD is incurring significant annual costs to maintain large inventories of low-cost items that have not been used for a number of years. DOD has made little progress to date in eliminating the large inventories of low-cost inactive items. We attribute this condition to the delayed and ineffective implementation of the Defense Inactive Item Program as well as to weaknesses in this program.

Contrary to the objective of the above program, many low-cost items that qualify for inactive-item review are excluded from such review and subsequent disposal action, because of arbitrary stock retention policies established by the inventory management organizations of the military services. Also this program permits the prolonged retention of inactive stocks on the basis of unverified future needs cited by the military services.

In our draft report to the Secretary of Defense, we proposed that the Defense Inactive Item Program be strengthened to ensure that inactive stocks are promptly removed from the supply system after the initial inactive-item review unless valid future needs exist. We proposed also that the Secretary direct inventory management organizations to eliminate locally established policies which restrict the systematic identification and removal of inactive stocks under provisions of the Defense Inactive Item Program. We proposed further that the Secretary direct inventory management organizations to assign a high priority to the implementation of the aforementioned program.

Actions taken or planned by DOD in response to our findings and proposals are shown in chapter 6.

CHAPTER 3

ELIMINATING LOW-COST, SLOW-MOVING ITEMS FROM INVENTORIES

In addition to large inventories of low-cost inactive items, the supply systems of the military services and DSA contain sizeable inventories of low-cost, slow-moving items (annual dollar issues totaling $100 or less). During the period April through September 1969, the inventories of the four inventory management organizations reviewed by us contained an estimated 203,000(1) low-cost items with stocks valued at about $49 million,[1] which had been in the supply system for 4 or more years and for which issues to military users totaled $100 or less for each of the past 2 years.

If the conditions revealed by our review are representative of all DOD inventories, we estimate that there are over 600,000 such items in the DOD system. On the basis of cost studies made by the military and industry (see p. 6), we estimate that DOD is incurring costs of millions of dollars annually to maintain large inventories of low-cost items which are seldom, if ever, needed by the military services.

DOD POLICY ON PURCHASING STOCKS OF SLOW-MOVING ITEMS

DOD Instruction 4140.7, dated January 12, 1965 (Subject: Control, Supply, and Positioning of Materiel), states that, when an item manager does not expect to issue more than $100 worth of an item annually and when he can buy the item or make it in-house within 30 days, the item should not be stored for future needs but should be acquired as the customer needs it.

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[1]These estimates were arrived at by using generally accepted statistical-sampling techniques.

Often a decision to stock low-cost items is based on an erroneous prediction of a high volume of future annual issues. DOD's policies and procedures do not provide for periodic identification and screening of low-cost, slow-moving items to determine whether those items should be kept in the supply system when they are readily available from commercial or Government manufacturing sources. The commercial and in-house availability of low-cost, low-usage items is presented in detail in chapter 4.

ECONOMY OF BUYING LOW-COST, SLOW-MOVING ITEMS AS NEEDED

Our review and a concurrent study by the Office of the Assistant Secretary of Defense (Installations and Logistics) showed that buying slow-moving items at the time they are needed is an economical alternative to buying them and storing them for future needs.

The DOD study showed that the increased use of automated procurement methods for small purchases ($250 or less) makes it economically feasible to expand the number of low-cost items procured only when they are needed. The cost of automated processing for a small purchase order is $1.38. We estimate that DOD will incur inventory carrying costs averaging $48 for each item annually by continuing to store the low-cost, slow-moving items presently included in the inventories of the four activities we reviewed.

CONCLUSION

To the extent that low-cost, slow-moving items can be readily obtained from commercial or Government manufacturing sources, we believe that effective supply support to users can be achieved more economically by disposal of existing stocks of such items and by acquiring them only when they are needed immediately by military users.

In our draft report to the Secretary of Defense, we proposed that DOD establish a program for periodic identification and disposal of slow-moving items which can be readily and economically acquired when needed from commercial or Government manufacturing sources. Actions taken or planned by DOD in response to our findings and proposals are shown in chapter 6.

CHAPTER 4

COMMERCIAL AND IN-HOUSE AVAILABILITY OF LOW-COST ITEMS

The low-cost item inventories of the four inventory management organizations reviewed by us contained significant numbers of slow-moving and inactive items for which stocks could be obtained within 30 days from commercial or Government manufacturing sources.

DOD's policy on stocking new items generally provides that low-cost, low-usage items which can be obtained commercially or fabricated in-house within 30 days will not be stocked in the supply system. DOD's inactive-item review program, however, does not provide for consideration of commercial and in-house production availability as a factor in determining whether inactive items already in the supply system will be retained or disposed of. Also DOD's policies and procedures do not provide for periodic identification and screening of slow-moving items to determine whether continued retention is economical in light of commercial or in-house production availability.

Details of our findings concerning commercial and in-house production availability of low-cost inactive and slow-moving items are presented below.

INACTIVE ITEMS

We found that stocks for 37.7 percent of our sample inactive items could be obtained within 30 days from commercial or Government manufacturing sources (see app. II). We found also that many of these sample inactive items could be fabricated locally in from 3 to 10 days if urgently needed.

On the basis of our statistical-sampling results, we estimate that the low-cost inventories of the activities reviewed by us contained about 27,000 inactive items for which stocks could be obtained within 30 days from commercial or Government manufacturing sources.

Examples of low-cost inactive items that can be readily obtained from commercial or Government manufacturing sources are presented below:

Fixed wire resistor (FSN 5905-763-6509)

This item was established in the supply system on August 17, 1964. It was managed by the Navy until December 14, 1967, when management was reassigned to the Defense Electronics Supply Center. On October 31, 1968, the item was screened by the Supply Center for possible elimination. At the time of the Supply Center's review, the item had been in the system about 51 months without a demand. In accordance with the Defense Inactive Item Program, the item was marked for retention in the system because the interested military services cited a possible future need. As of September 30, 1969, 60 resistors valued at $5.80 each were reported on hand and 26 units were reported as excess to all known requirements.

During December 1969 we contacted the one supplier listed for this item in the Supply Center's records. The supplier advised us that the item was sold to commercial customers and that delivery to a customer could be made within 30 days from receipt of an order. The supplier cited a minimum order quantity of 10 units at $1.08 each.

Line assembly (FSN 1560-217-6461-MJ)

This item was established in the supply system on June 30, 1964. As of June 30, 1969, 12 line assemblies, valued at $5.30 each, were reported on hand in the supply system, and no issues had been made during the preceding 2 years. A supplier indicated that the item was sold commercially and that delivery could be made within 30 days. The supplier cited a minimum order quantity of 10 units at $6.50 each. Air Force maintenance personnel indicated that the item, if urgently needed, could be manufactured within 3 days and that the cost for from one to five units would be $6.00 each.

Foot assembly (FSN 6625-739-2488)

This item was established in the supply system on August 28, 1961. As of June 30, 1969, there were 99 units valued at 23 cents each reported on hand in the supply system, and no issues had been made in the preceding 2 years. A supplier indicated that the item was carried as regular stock and sold commercially as a replacement part for its instruments. The supplier cited a unit price of 15 cents each with no required minimum order quantity.

SLOW-MOVING ITEMS

We found that stocks for 51.8 percent of our sample of slow-moving items could be obtained within 30 days from commercial or Government manufacturing sources (see app. III). In an emergency many of the slow-moving items in our sample, which were obtainable within 30 days, could be fabricated locally in from 5 to 10 days.

On the basis of our statistical-sampling tests, we estimate that the low-cost inventories of the activities reviewed by us contained about 73,000 slow-moving items for which stocks can be obtained within 30 days from commercial or Government manufacturing sources.

Examples of low-cost, slow-moving items for which stocks can be readily obtained from commercial or Government manufacturing sources are presented below:

Spring (FSN 1560-340-9948LK)

The standard unit price of this item is $2.12. As of June 30, 1969, the item had been in the supply system at least 4 years, and stock valued at $220.48 was on hand. During the 2-year period ending June 30, 1969, stocks of this item were issued only three times.

During October 1969 we contacted maintenance officials at McClellan Air Force Base regarding the base's in-house ability to manufacture this item. The officials advised us that base maintenance could manufacture the spring within 5 days if urgently needed. They advised

us also that the approximate cost to manufacture the item would be $3.05 each for five units.

Disk (FSN 5815-125-5253)

The standard unit price of this item is $1.10. As of June 30, 1969, this item had been in the supply system for at least 4 years and 61 units valued at $67.10 were on hand. Less than $100 worth of this item was issued during the 2-year period ending June 30, 1969. In fiscal year 1969 only one issue consisting of three units of this item was made.

During December 1969 we contacted the supplier for this item and he advised us that it was available for sale to the general public at a unit price of $3.40 with delivery within 30 days after receipt of an order. He advised us further that there was no minimum order requirement for this item.

CONCLUSION

In our opinion, significant economies could be achieved without seriously compromising supply effectiveness by eliminating stocks of low-cost, low-usage items which can be obtained within 30 days from commercial or Government manufacturing sources.

In our draft report to the Secretary of Defense, we proposed that DOD revise its Defense Inactive Item Program to provide for consideration of an item's commercial or in-house availability as a factor in determining whether inactive stocks will be retained or disposed of. Our proposal relative to slow-moving stocks is shown on page 13. Actions taken or planned by DOD in response to our findings and proposals are shown in chapter 6.

CHAPTER 5

INTERNAL AUDIT

DOD has established a uniform system for measuring and evaluating specific logistics functional areas by developing performance objectives and by evaluating performance against these objectives. Under this system, annual item elimination goals are established for inventory management organizations involved in the Defense Inactive Item Program and actual item eliminations are compared with the goals. Activities that do not meet the goals are recommended for internal audit review.

The Director of Logistics Audit Programs of the Office of the Assistant Secretary of Defense (Installations and Logistics) is responsible for arranging the audits. The actual audits are performed by the individual military internal audit services in conjunction with their regular audit coverage of their respective inventory management organizations.

In fiscal year 1970, internal audits of the effectiveness of policies, procedures, and methods established to implement the Defense Inactive Item Program were scheduled at six inventory control points which had the least success in fiscal year 1969 in meeting DOD item elimination goals. As of January 1971, three of these internal audits had been completed and the remainder were still in process.

The findings of the internal auditors were similar to those cited in this report. For example, they found that substantial numbers of inactive items were either excluded from inactive-item reviews or subsequent disposal action, because of locally established stock retention policies which conflicted with the Defense Inactive Item Program. Also the internal auditors found that these inventory control points arbitrarily designated supply system retention for almost all inactive items under DSA integrated management, which were referred to them by registered military users for retention or disposal decisions. The internal auditors found that these inventory management organizations had no valid basis for advising DSA integrated managers to retain many of these items in their supply systems.

At one of the audited inventory management organizations, the internal auditors concluded that more effective implementation of the Defense Inactive Item Program would result in the potential elimination of 73,800 items with an annual estimated savings of $7.4 million. The recommendations of the internal auditors were directed to more strict compliance with and effective implementation of the Defense Inactive Item Program.

We believe that DOD's policy of establishing item elimination goals for inventory management organizations and directing internal audits of item elimination efforts at activities that fall short of assigned goals is a good approach for monitoring the program. In our opinion, the frequency and scope of internal audit coverage of this area are adequate.

CHAPTER 6

AGENCY COMMENTS, GAO EVALUATION, AND RECOMMENDATIONS

We brought our findings and proposals for corrective action to the attention of the Secretary of Defense in September 1970. At the Secretary's request, the Acting Assistant Secretary of Defense (Installations and Logistics) commented on our findings and proposals by letter dated November 6, 1970. (See app. I.) He stated that DOD, in general, concurred with our conclusions and recommendations. He stated also that the Defense Inactive Item Program had been in operation long enough for DOD to conclude that it was effective and that the military services and DSA had eliminated 316,037 items from their supply systems in fiscal year 1970.

The Acting Assistant Secretary stated further that DOD had initiated two special one-time programs in fiscal years 1970 and 1971, known as DIIP[1]-FAST-70 and DIIP-FAST-71, which provided for accelerated elimination of inactive items. Under these programs DSA integrated managed items which had been in the supply system for 5 years and had not been used in the past 2 years would be removed from the system automatically without obtaining prior approval from the registered military users.

Subsequent to receiving the Acting Assistant Secretary's reply, we queried the Office of the Assistant Secretary of Defense (Installations and Logistics) on the feasibility of expanding the aforementioned DOD special programs to provide for accelerated supply system removal of inactive items managed by the military services. We queried this office also on the feasibility of having the special program criteria for accelerated removal of inactive items adopted as a permanent feature of the Defense Inactive Item Program. In response to our inquiries, the Office of the Assistant Secretary of Defense advised us that, after they had an opportunity to fully evaluate the success of these programs, they would consider the feasibility of adopting our suggestions.

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[1]Defense Inactive Item Program.

The Acting Assistant Secretary commented further that DOD agrees that improvements can be made in the management of low-cost, slow-moving items. In this respect he stated that, as a result of a recently completed comprehensive study of this subject, DOD plans to increase the number of nonstocked items which will be acquired only when needed for the immediate use of customers with direct deliveries from the contractors to the customers.

Although we feel that the removal of 316,037 inactive items from the supply systems of the military services and DSA in fiscal year 1970 is a commendable achievement, we do not feel that the Defense Inactive Item Program has been sufficiently effective in eliminating low-cost inactive items from the DOD supply system. As pointed out elsewhere in this report, we found that a majority of the low-cost inactive items managed by the inventory control points reviewed by us were either excluded from inactive-item reviews or subsequent disposal action because of locally established stock retention policies which conflicted with the Defense Inactive Item Program. Subsequent to the receipt of the Acting Assistant Secretary's reply, we were informed by the Office of the Assistant Secretary of Defense that these inventory control points had abolished the aforementioned stock retention policies.

We believe that the actions taken or planned by DOD, if carried out effectively, will prevent unneeded items from entering the DOD supply system and will eliminate such items already in the system. We believe also that additional opportunities exist to eliminate unneeded items from the DOD supply system. Therefore we are making the following recommendations.

RECOMMENDATIONS

We recommend that DOD special one-time programs for accelerated supply system removal of inactive items under DSA integrated management be expanded to include inactive items managed by the military services. We recommend also that the Secretary of Defense consider the feasibility of revising the Defense Inactive Item Program to provide for automatic removal of all items which have been in the supply systems of the military services and DSA for 5 or more years and for which there has been no usage for 2 or more years.

CHAPTER 7

SCOPE OF REVIEW

Our review was directed primarily towards obtaining information on the extent of implementation and effectiveness of the Defense Inactive Item Program and examining into the policy, procedures, and criteria used to identify and review low-cost items to eliminate them from the DOD supply system if they are inactive or have little activity.

The inventory control points that we visited were:

Army:
Army Electronics Command
Philadelphia, Pennsylvania
Navy:
Navy Electronics Supply Office
Great Lakes, Illinois
Air Force:
Sacramento Air Materiel Area
McClellan Air Force Base, California
Defense Supply Agency:
Defense Electronics Supply Center
Dayton, Ohio

At each of the four activities which we visited, we selected a statistical random sample of 300 items having a unit cost of $10 or less. We reviewed the demand history on each item. We determined the number of sample items that had been in the DOD supply system for a minimum period of 4 years and that either had not been used during the past 2 years or had been used in quantities worth less than $100 in each of the past 2 years. We determined also the extent to which the sample inactive and slow-moving items could readily be obtained from commercial and Government sources when needed. We also gathered statistics showing the total number of items managed by each of the four inventory control points and the number of low-cost items included in the total inventory, and we estimated the number of low-cost items at each location that had been in the supply system for at least 4 years and had experienced little or no usage during the past 2 years.

We ascertained the procedures for the inactive review program at each location and examined into some of the internal programs that limited the effectiveness of the Defense Inactive Item Program.

Our review was made during the period June 1969 to April 1970.

APPENDIXES

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

SP
INSTALLATIONS AND LOGISTICS

Mr. C. M. Bailey
Director, Defense Division
General Accounting Office
Washington, D. C. 20548

6 NOV 1970

Dear Mr. Bailey:

The Secretary of Defense has asked me to reply to your letter of September 1, 1970 which transmitted copies of your Draft Report entitled "Need for the Department of Defense to Intensify Efforts to Remove Inactive and Slow-Moving Items from Inventories" (OSD Case #3173).

The Military Departments and appropriate Defense Agencies have reviewed the report; they, as well as this Office, concur generally with your conclusions and recommendations. We do not, however, agree in all respects with the General Accounting Office views as to the best procedure to achieve our goals. Department of Defense (DoD) actions in this area continue to reflect our basic objective of managing materiel effectively and efficiently. A fundamental set of related actions is involved in achieving that goal; of these, the three most essential are the continuing prompt identification and elimination of items no longer needed, the assignment of the optimum type of management for items, and controlling the entry of items into the system.

Our Defense Inactive Item Program (DIIP) objective is to eliminate all unneeded items from the DoD system; however, we must proceed in such a way as to insure that no item is removed from the DoD system until the military requirement for the item has been entirely eliminated. This Program has been in operation long enough for us to conclude that it is effective. During FY 1970, the Services and the Defense Supply Agency eliminated 630,265 item registrations from the DoD supply system, an increase of 117,100 items (23%) over the FY 1969 rate. The total of items actually eliminated is 316,037 individual Federal Stock Numbers. Evidence to date indicates that the FY 1971 results will be even more substantial. In addition, we have initiated two programs (Project DIIP-FAST-70 and DIIP-FAST-71) in which items under integrated management and which have been in the system for five years with no demand for the past two years are removed automatically from the item range without referral to the military service customers. In FY 1970 we removed 81,238 items in this manner, and in

FY 1971 we expect to eliminate an additional 80,000 items from Defense inventories.

We agree that improvements can be made with respect to the management of slow-moving and low-cost items. In this connection, we have recently completed a comprehensive study of this program and are giving it priority attention. We plan to increase the number of items centrally managed but non-stocked based on economic criteria. Currently, more than 500,000 items, or approximately 14% of ourtotal item range, are non-stocked, and this range will probably be increased. It must be recognized, however, that the capability to predict the future demands accurately and judge correctly the availability of needed supplies from industry is the essence of this concept of military materiel management. In other words, there are instances where we need to stock low demand, commercially available items to assure timely availability for military reasons, economic considerations notwithstanding.

Our programs for controlling the entry of new items into the system continue to produce gratifying results. Since establishment of the Program in FY 1964, the annual rate of new item entry on a DoD-wide basis has steadily declined. Only 277,601 new Federally Stock Numbered items entered the system in FY 1970; this represents a 22% drop from the high of 353,414 items in FY 1966. During this same period, dollars budgeted for procurement of new equipment increased substantially; however, we were able to stabilize the number of items in the supply system at around four million. The implementation of the Defense Technical Review Activities (DTRAs) has permitted a closer control on entry of new items than was heretofore possible. Had our systems and procedures for controlling new item entry and eliminating inactive items not been effective, the number of items in our inventory might well have reached unmanageable proportions.

In addition, in recognition of the desirability to limit the entry of new items into the DoD supply system to only those items needed and in recognition of the inherent problems in attempting to predict which items will fail in new equipments, we are exploring interim contractor support arrangements for low-cost/low-demand items. The approach being considered is to require, as part of the end item procurement contract, the contractor to hold limited quantities of selected low-cost/low-demand items in his inventory for immediate delivery direct to user. This arrangement would terminate in two to three years after delivery of the end item equipments. During the interim, the military user would be assured of immediate direct support for such items. At the end of this contractor support period, the applicable Inventory Control Points would have sufficient usage data upon which to select for stocking only those items experiencing demands. A formal project has been established to develop workable contract language to test this method of support for low-cost/low-demand items.

We are dedicated to elimination of all unneeded items from our inventories, and the maintenance of those inventories at the lowest level consistent with our assigned mission of providing adequate supply to our forces under normal conditions, in short-term emergency situations and in sustained combat operations.

The opportunity to comment on this report in draft form is appreciated.

Sincerely,

GLENN V. GIBSON
Acting Assistant Secretary of Defense
(Installations and Logistics)

SAMPLES OF INACTIVE ITEMS

OBTAINABLE WITHIN 30 DAYS FROM

COMMERCIAL OR GOVERNMENT MANUFACTURING SOURCES

Item number	FSN	Part	Unit price	On-hand or due-in inventory	Inventory value
Defense Electronics Supply Center					
1	5905-079-3411	Resistor, fixed, wire	$1.20	44	$ 52.80
2	-763-6509	do.	5.80	60	348.00
3	-807-0653	Resistor, fixed, film	1.90	10	19.00
4	-814-8391	" " wire	.81	80	64.80
5	-826-4321	" voltage	.85	758	644.30
6	5925-446-5996	Post cradle armature	3.45	-	-
7	5935-856-5462	Shield, electrical	2.00	10	20.00
8	5945-035-7748	Contact, "	1.50	46	69.00
9	-073-3508	Heater	7.00	46	322.00
10	-500-8819	Contact, electrical	1.05	12	12.60
11	5950-871-0118	Coil, radio frequency	3.61	24	86.64
12	5960-281-0816	Retainer, electron tube	.45	-	-
Army Electronics Command					
13	5815-125-8126	Pallet	.10	101	10.10
14	-125-9724	Plate	.13	700	91.00
15	-126-4234	Post	.28	1,940	543.20
16	-127-2036	Guard	.11	158	17.38
17	-320-8111	Cam	3.40	14	47.60
18	-325-1993	Plate	.01	12,580	125.80
19	-356-3204	Latch, trip off	1.43	103	147.29
20	-370-1337	Spring	.35	54	18.90
21	-412-8311	Plate, reel	.98	41	40.18
22	-448-2201	Governor brush bracket	7.88	105	827.40
23	-533-4337	Bracket, ribbon spool	4.26	94	400.44
24	-593-8659	Resistor	.77	32	24.64
25	-679-8540	Function bar	1.45	14	20.30
26	-712-9452	Crank assembly	5.29	24	126.96
27	5895-561-9512	Retainer, static discharge	1.34	-	-
28	5935-502-8748	Connector plug, electrical	1.03	24	24.72
29	6140-828-6123	Lead, storage battery	5.28	7	36.96
30	6625-031-0991	Cover assembly	.69	54	37.26
31	-739-2488	Foot assembly	.23	99	22.77
32	-882-5929	Spacer, sleeve	.81	21	17.01
33	-981-8652	Shield, electrical	2.58	8	20.64
34	7440-991-6865	Belt, timing	1.90	39	74.10
35	-992-2038	Spring, rebound latch	1.03	20	20.60
Navy Electronics Supply Office					
36	3120-019-0720	Washer, thrust	.12	24	2.88
37	5815-127-2017	Bracket	6.10	9	54.90
38	-160-0024	Cable	.50	3	1.50
39	-369-9550	Holder	.30	105	31.50
40	-412-5031	Stop	2.20	6	13.20
41	-691-3145	Keytop	.20	6	1.20
42	5820-010-6457	Azimuth	8.00	8	64.00
43	5895-594-0699	Radome wide beam horn	2.10	15	31.50
44	5940-562-4142	Post, binding	2.90	2	5.80
45	5995-412-8595	Cable	5.00	6	30.00
46	6130-519-1070	Rectifier, metallic	9.10	2	18.20

Item number	FSN	Part	Unit price	On-hand or due-in inventory	Inventory value
Sacramento Air Materiel Area					
47	1560-020-7212-NE	Support	$5.47	-	-
48	-030-5214-MJ	Channel assembly	6.87	15	$ 103.05
49	-034-2789-NE	Cover	3.41	75	255.75
50	-034-6834-NE	"	3.52	36	126.72
51	-050-8298-NE	Segment	8.49	78	662.22
52	-067-5042-NE	Bracket	2.23	64	142.72
53	-076-3123-NE	Former	6.70	49	328.30
54	-077-3332-NE	Grommet	3.35	83	278.05
55	-086-5452-NE	Shim, doppler cooling	1.44	167	240.48
56	-093-5323-MJ	Line assembly	4.91	36	176.76
57	-187-7916-LC	Seal	.51	38	19.38
58	-199-9904-LC	Pin assembly	2.40	66	158.40
59	-217-6461-MJ	Line "	5.30	12	63.60
60	-245-4912-MJ	Plate	1.56	19	29.64
61	-301-3374-ML	Sector	6.70	3	20.10
62	-307-2597-MJ	Cable assembly	3.01	53	159.53
63	-307-6417-MJ	Door "	2.90	146	423.40
64	-324-0214-ND	Plate	3.01	41	123.41
65	-328-4022-ML	Retainer	1.62	20	32.40
66	-342-8574-LK	Piston	9.21	608	5,599.68
67	-345-2837-ML	Bracket	1.56	27	42.12
68	-445-5563-NE	"	2.85	117	333.45
69	-520-4856-LC	Tube assembly	3.91	7	27.37
70	-526-0957-MJ	Spring	.28	57	15.96
71	-562-6915-MF	Bracket	4.15	48	199.20
72	-567-7557-ND	Actuator	8.88	49	435.12
73	-574-1280-NE	Support	7.09	55	389.95
74	-574-1713-NE	Fairlead	.25	351	87.75
75	-574-4633-NE	Housing	7.20	38	273.60
76	-592-9220-LK	Retainer	6.81	5	34.05
77	-602-5061-ML	Rib	3.01	29	87.29
78	-620-1383-LK	Clamp bloc	8.65	27	233.55
79	-626-7760-LK	Insulation	8.82	156	1,375.92
80	-628-2309-ML	Spacer	.89	17	15.13
81	-654-2589-NE	Clip	1.23	30	36.90
82	-672-3276-NE	Bracket	6.70	9	60.30
83	-740-4861-NE	Seal	1.56	47	73.32
84	-761-8093-NE	"	3.29	36	118.44
85	-784-7483-ML	Line assembly	6.48	17	110.16
86	-858-9537-NE	Retainer	2.62	79	206.98
87	-872-9668-NE	Tube assembly	5.02	175	878.50
88	-906-2690-NE	Placard	3.35	19	63.65
89	-963-7691-NE	Tube A	6.87	14	96.18
90	-971-9266-NE	Fairlead	1.51	70	105.70
91	-976-3950-NE	Adapter	3.91	132	516.12
92	-987-8684-NE	Shield	3.57	125	446.25
93	4935-801-1892-AD	Tube assembly	2.23	7	15.61
94	5821-732-5691-LF	Shaft, bell	1.56	117	182.52
95	5840-331-4096	Bushing	8.93	28	250.04
96	-334-6528	Spring	.31	6	1.86
97	-535-2605	Valve	.67	-	-
98	-555-4242	Bearing	3.24	123	398.52
99	-593-1836-ZJ	Track	1.23	162	199.26
100	-710-4218	Insert	.45	147	66.15
101	-884-4455	Pushbutton	.67	27	18.09
102	5841-098-9994-LF	Clamp	1.67	68	113.56
103	-546-0859-LF	Plate	1.67	8	13.36
104	-720-6927-LF	Shim set	.33	832	274.56
105	6115-570-3593	Screen	3.63	14	50.82
106	6605-858-7340-LF	Gear spur	7.54	13	98.02
107	-897-7065-LF	Spacer	3.68	9	33.12
108	6625-805-6092-LF	Tuner	4.97	30	149.10
109	-894-1185-LF	Terminal	9.49	12	113.88

SAMPLES OF SLOW-MOVING ITEMS

OBTAINABLE WITHIN 30 DAYS FROM

COMMERCIAL OR GOVERNMENT MANUFACTURING SOURCES

Item number	FSN	Part	Unit price	On-hand or due-in inventory	Inventory value
Defense Electronics Supply Center					
1	5905-053-2720	Resistor, fixed, wire	$5.50	3	$ 16.50
2	-057-1804	Resistor, fixed, wire	1.00	80	80.00
3	-087-8408	Resistor, fixed, film	0.16	1,429	228.64
4	-577-1566	Resistor, variable	8.50	30	255.00
5	-686-9599	Resistor, fixed, wire	.59	-	-
6	-725-9402	Resistor, fixed, wire	2.20	129	283.80
7	-777-0726	Resistor, fixed, wire	1.20	87	104.40
8	-822-4980	Resistor, fixed, wire	.70	318	222.60
9	-857-5444	Resistor, fixed, wire	1.00	65	65.00
10	-883-1530	Resistor, variable	3.40	55	187.00
11	-978-7368	Resistor, fixed, wire	.80	39	31.20
12	-993-8901	Resistor, fixed, film	.14	668	93.52
13	-837-0687	Resistor, fixed, wire	.35	77	26.95
14	-892-0353	Resistor, fixed, composition	.12	937	112.44
15	-904-8456	Resistor, fixed, wire	2.90	38	110.20
16	5910-682-3135	Capacitor, fixed, ceramic	.25	1,411	352.75
17	-708-5187	Capacitor, fixed, electrolytic	.88	34	29.92
18	-782-8909	Capacitor, fixed, electrolytic	1.60	73	116.80
19	-807-3345	Capacitor, fixed, electrolytic	4.00	34	136.00
20	-853-4968	Capacitor, fixed, ceramic	.35	602	210.70
21	-957-2050	Capacitor, fixed, metal	1.00	4	4.00
22	-993-6861	Capacitor, fixed, metal	1.00	76	76.00
23	-080-9089	Capacitor, fixed, ceramic	.50	44	22.00
24	-837-3461	Capacitor, fixed, ceramic	.17	213	36.21
25	-845-8674	Capacitor, fixed, ceramic	1.50	257	385.50
26	5920-243-5082	Fuse, cartridge	1.90	81	153.90
27	5930-296-5136	Switch, sensitive	1.40	266	372.40
28	-918-6875	Switch	6.90	20	138.00
29	5930-312-3823	Contact, electrical	1.10	113	124.30
30	-729-8593	Switch, rotary	7.80	24	187.20
31	5935-223-8709	Connector, receptacle	0.72	528	380.16
32	-257-9001	Connector plug, electrical	.65	390	253.50
33	-606-3977	Connector, electrical	4.71	63	296.73
34	5945-980-0156	Contract, electrical	1.50	239	358.50
35	5950-448-0890	Transformer, pulse	4.10	44	180.40
36	-776-6902	Coil, radio frequency	1.00	102	102.00
37	-837-6029	Coil, radio frequency	.40	946	378.40
38	-884-0619	Transformer, radio	2.30	89	204.70
39	5960-983-8793	Retainer, electron	.62	25	15.50
40	5965-387-6868	Cushion	.20	10	2.00
Army Electronics Command					
41	5815-074-0871	Pad	.21	348	73.08
42	-084-5009	Lever	1.03	38	39.14
43	-125-8308	Post	.02	4,326	86.52
44	-205-4610	Spring, helical extension	.29	153	44.37
45	-260-3480	Spring, helical extension	.03	2,521	75.63
46	-370-0142	Ratchet	.36	99	35.64
47	-370-0411	Bushing, sleeve	.02	4,072	81.44
48	-370-0597	Keylever assembly	.30	277	83.10
49	-412-9181	Plate	1.59	144	228.96
50	-545-2850	Pallet, type	.29	663	192.27
51	-659-3092	Bail	.97	169	163.93
52	-676-6939	Post, spring	.04	295	11.80
53	-701-1642	Collar, shaft	.39	253	98.67
54	-737-7554	Shaft	.40	48	19.20
55	-766-1049	Guide, tape	.74	69	51.06
56	-790-3718	Gage, tape lid	1.40	3,127	4,377.80
57	-886-6323	Plate clamp	.10	499	49.90
58	-893-0771	Tape deflector	.52	111	57.72
59	-127-6319	Bushing	.04	4,937	197.48
60	-129-9976	Pin, clevis	.09	1,522	136.98

Item number	FSN	Part	Unit price	On-hand or due-in inventory	Inventory value
Army Electronics Command (continued)					
61	5815-448-1746	Screw, machine	$0.01	5,280	$ 52.80
62	-594-9087	Spring	.26	488	126.88
63	5820-322-4911	Link	.06	3,626	217.56
64	6625-877-0652	Gearshaft, spur	4.12	18	74.16
65	-880-3948	Coupling, shaft, flexible	3.09	4	12.36
66	6720-545-8600	Gear, bevel	5.14	103	529.42
67	6740-586-0364	Gasket	1.08	66	71.28
Navy Electronics Supply Office					
68	5310-392-2049	Washer	.01	11,476	114.76
69	5815-070-4286	Modification kit	2.10	169	354.90
70	-083-0543	Post	1.00	69	69.00
71	-125-4807	Wick	.01	8,153	81.53
72	-125-4999	Cover	.07	16	1.12
73	-125-5253	Disk	1.10	61	67.10
74	-126-4178	Wick	.01	4,206	42.06
75	-126-7896	Post	.23	77	17.71
76	-219-6971	Handle	.20	14	2.80
77	-309-3827	Shaft	3.23	7	22.61
78	-351-7879	Window	3.00	89	267.00
79	-370-0196	Retainer	.10	697	69.70
80	-370-0413	Bracket	.49	1,823	893.27
81	-370-0529	Keylever	.50	630	315.00
82	-370-1135	Bracket	2.05	24	49.20
83	-391-9811	Keytop	.20	237	47.40
84	-524-3423	Slide	.46	274	126.04
85	-567-9873	Bearing	.02	712	14.24
86	-646-9276	Spring	.30	120	36.00
87	-652-1595	Lever	1.60	135	216.00
88	-652-2537	Link	.79	232	183.28
89	-679-8348	Retainer	.05	1,143	57.15
90	-709-9402	Lever assembly	.80	111	88.80
91	-738-1858	Gear	1.60	469	750.40
92	-767-5170	Bracket	.07	2,926	204.82
93	5815-778-3806	Ring	0.03	6,232	186.96
94	-793-2145	Modification kit	4.30	319	1,371.70
95	-859-1805	Gear	2.00	158	316.00
96	-872-9120	Spring	.09	432	38.88
97	-893-1196	Nut	.13	621	80.73
98	5820-822-9737	Universal joint	10.00	3	30.00
99	5835-896-9594	Quarter track shifter	2.90	10	29.00
100	5840-171-6600	Packing with retainer	.05	70	3.50
101	5905-964-0598	Resistor, fixed, wire	.80	17	13.60
102	5935-052-3759	Shield, electrical	1.10	469	515.90
103	5961-799-8718	Transistor	6.50	205	1,332.50
104	6625-648-9175	Voltage standard	9.40	24	225.60
105	-967-0515	Inductance standard	3.30	38	125.40
Sacramento Air Materiel Area					
106	1560-019-9308-NE	Seal strip	2.01	377	757.77
107	-024-4392-MF	Clip	.50	54	27.00
108	-032-3987-MJ	Adapter assembly	3.80	61	231.80
109	-033-9007-NE	Angle	6.14	26	159.64
110	-035-3358-MJ	Block assembly	3.74	52	194.48
111	-040-7304-MJ	Cap assembly	6.75	183	1,235.25
112	-047-4943-LF	Fitting assembly	6.48	126	816.48
113	-083-7387-NE	Shim	.58	235	136.30
114	-121-1973-LC	Support	4.47	17	75.99
115	-122-8254-LC	Strainer	2.74	41	112.34
116	-125-3240-MJ	Shim	.51	241	122.91
117	-197-2031-LC	Drain assembly	3.96	18	71.28
118	-211-0916-ND	Lever	9.10	55	500.50
119	-247-9480-MF	Shaft	6.90	23	158.70
120	-303-2451-ND	Shim	.73	515	375.95
121	-304-3777-ML	Cam	1.51	46	69.46
122	-304-9674-LF	Support	2.01	13	26.13
123	-315-1986-LF	Bracket	2.01	240	482.40
124	-320-6040-MJ	Spring	1.12	92	103.04

Item number	FSN	Part	Unit price	On-hand or due-in inventory	Inventory value
Sacramento Air Materiel Area (continued)					
125	1560-327-2131-MB	Lever	$1.09	25	$ 27.25
126	-327-3338-ML	Shim	0.23	2,488	572.24
127	-335-5650-LF	Seal	4.75	96	456.00
128	-335-9026-MJ	Cover assembly	2.23	54	120.42
129	-339-9022-ML	Clip	.73	69	50.37
130	-340-6522-ML	Block	6.31	2	12.62
131	-340-9948-LK	Spring	2.12	104	220.48
132	-341-6593-MJ	Spring	3.74	15	56.10
133	-348-5580-ML	Rib	1.34	66	88.44
134	-386-7829-MJ	Seal assembly	5.86	8	46.88
135	-388-8535-MJ	Link	7.37	7	51.59
136	-512-0611-ML	Yoke	.33	839	276.87
137	-516-1279-LF	Bearing	.78	973	758.94
138	-524-2349-ML	Liner assembly	9.27	17	157.59
139	-526-4345-MJ	Gasket	.52	458	238.16
140	-528-5341-ND	Bearing	2.34	195	456.30
141	-541-9405-ND	Spacer	.21	955	200.55
142	-554-1093-ND	Bushing	.63	450	283.50
143	-559-5084-NE	Shim	.56	365	204.40
144	-560-4572-ND	Door	5.58	72	401.76
145	-560-4988-ND	Plate	8.93	13	116.09
146	-564-5295-ND	Tube assembly	4.24	80	339.20
147	-565-7217-ND	Panel assembly	2.46	75	184.50
148	-566-5233-NE	Bracket	3.07	146	448.22
149	-570-0502-ND	Gasket	.22	1,003	220.66
150	-571-1607-ML	Line assembly	8.88	88	781.44
151	-575-7439-NE	Bolt	4.47	164	733.08
152	-576-1852-NE	Decalcomania	.41	676	277.16
153	-586-0934-LC	Bracket	1.62	90	145.80
154	-588-0249-NE	Former	7.93	23	182.39
155	-589-1706-ND	Fairlead	2.29	32	73.28
156	-590-2830-NE	Doubler	3.74	82	306.68
157	-592-2985-NE	Angle	3.74	19	71.06
158	-605-4745-ML	Control	4.24	20	84.80
159	-620-8888-LC	Tube assembly	2.23	226	503.98
160	-621-2075-ML	Line assembly	6.75	80	540.00
161	-622-2023-ML	Line assembly	5.97	19	113.43
162	-623-9784-ML	Plate	9.60	46	441.60
163	1560-624-7854-ML	Line assembly	9.27	128	1,186.56
164	-629-6489-NE	Strap	1.23	86	105.78
165	-656-3299-LC	Cover	1.06	269	285.14
166	-657-2542-MJ	Tube	3.63	36	130.68
167	-657-9006-LF	Shield	1.62	65	105.30
168	-670-8216-NE	Sealing strip	2.18	265	577.70
169	-691-6627-NE	Roller	1.34	538	720.92
170	-692-2137-MJ	Cable	8.93	40	357.20
171	-694-4144-LF	Pin assembly	2.01	442	888.42
172	-697-0283-MF	Elbow assembly	6.53	8	52.24
173	-705-6723-NE	Door	8.04	121	972.84
174	-735-7647-NE	Seal	4.47	171	764.37
175	-775-6197-ML	Flange assembly	6.81	228	1,552.68
176	-791-7435-NE	Door, access	0.73	455	332.15
177	-796-8063-XF	Plate	8.49	52	441.48
178	-803-8032-NE	Bumper	1.84	73	134.32
179	-862-1771-NE	Seal	4.75	99	470.25
180	-887-8256-NE	Support	6.31	54	340.74
181	5306-298-3327-MJ	Bolt	3.68	20	73.60
182	5315-290-8244-ML	Pin	2.51	107	268.57
183	-800-3431-YV	Key	.73	59	43.07
184	5840-219-6390	Sleeve	2.85	32	91.20
185	-302-3862	Plate, mounting	2.23	57	127.11
186	-345-8687	Coupling	7.34	78	572.52
187	-611-0421	Bushing	1.34	72	96.48
188	-801-3965	Spur gear	3.01	25	75.25
189	-895-2586-ZC	Hose assembly	3.35	30	100.50
190	-916-3347-ZC	Bushing	1.95	29	56.55
191	5841-441-3015-LF	Support, azimuth	2.68	41	109.88
192	-822-9623-LF	Platexdesi	3.63	76	275.88
193	5895-831-4604-LF	Bushing	5.58	45	251.10
194	6115-329-3831	Bearing	.63	278	175.14
195	6605-585-3941-LF	Gear	8.32	46	382.72

PRINCIPAL OFFICIALS

OF THE DEPARTMENT OF DEFENSE AND THE

DEPARTMENTS OF THE ARMY, NAVY, AND AIR FORCE

RESPONSIBLE FOR THE ADMINISTRATION

OF ACTIVITIES DISCUSSED IN THIS REPORT

	Tenure of office	
	From	To
DEPARTMENT OF DEFENSE		
SECRETARY OF DEFENSE:		
Melvin R. Laird	Jan. 1969	Present
Clark M. Clifford	Mar. 1968	Jan. 1969
Robert S. McNamara	Jan. 1961	Feb. 1968
DEPUTY SECRETARY OF DEFENSE:		
David Packard	Jan. 1969	Present
Paul H. Nitze	July 1967	Jan. 1969
ASSISTANT SECRETARY OF DEFENSE (INSTALLATIONS AND LOGISTICS):		
Barry J. Shillito	Feb. 1969	Present
Thomas D. Morris	Sept. 1967	Jan. 1969
DIRECTOR, DEFENSE SUPPLY AGENCY:		
Lt. Gen. Earl C. Hedlund	July 1967	Present
Vice Adm. Joseph M. Lyle	July 1964	July 1967
DEPARTMENT OF THE ARMY		
SECRETARY OF THE ARMY:		
Stanley R. Resor	July 1965	Present

	Tenure of office	
	From	To
DEPARTMENT OF THE ARMY (continued)		
ASSISTANT SECRETARY OF THE ARMY (INSTALLATIONS AND LOGISTICS):		
J. Ronald Fox	June 1969	Present
Vincent P. Huggard (acting)	Mar. 1969	June 1969
Dr. Robert A. Brooks	Oct. 1965	Feb. 1969
COMMANDING GENERAL, ARMY MATERIEL COMMAND:		
Lt. Gen. Henry A. Miley	Nov. 1970	Present
Gen. Ferdinand J. Chesarek	Mar. 1969	Oct. 1970
Gen. Frank S. Besson, Jr.	July 1962	Mar. 1969
DEPARTMENT OF THE NAVY		
SECRETARY OF THE NAVY:		
John H. Chafee	Jan. 1969	Present
Paul R. Ignatius	Sept. 1967	Jan. 1969
ASSISTANT SECRETARY OF THE NAVY (INSTALLATIONS AND LOGISTICS):		
Frank Sanders	Feb. 1969	Present
Barry J. Shillito	Apr. 1968	Jan. 1969
Vacant	Feb. 1968	Mar. 1968
Graeme C. Bannerman	Feb. 1965	Jan. 1968
COMMANDER, NAVAL SUPPLY SYSTEMS COMMAND:		
Rear Adm. Kenneth R. Wheeler	July 1970	Present
Rear Adm. Bernhard H. Bieri, Jr.	Aug. 1967	June 1970
DEPARTMENT OF THE AIR FORCE		
SECRETARY OF THE AIR FORCE:		
Dr. Robert C. Seamans, Jr.	Jan. 1969	Present
Dr. Harold Brown	Oct. 1965	Jan. 1969

	Tenure of office	
	From	To
DEPARTMENT OF THE AIR FORCE (continued)		
ASSISTANT SECRETARY OF THE AIR FORCE (INSTALLATIONS AND LOGISTICS):		
Philip N. Whittaker	May 1969	Present
Vacant	Jan. 1969	May 1969
Robert H. Charles	Nov. 1963	Jan. 1969
COMMANDER, AIR FORCE LOGISTICS COMMAND:		
Gen. Jack G. Merrell	Mar. 1968	Present
Lt. Gen. Lewis L. Mundell	Feb. 1968	Mar. 1968
Gen. Thomas P. Gerrity	Aug. 1967	Feb. 1968

U.S. GAO Wash., D.C.