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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

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DEFENSE DIVISION

JUL 29 1971

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Dear Mr. Secretary:

The General Accounting Office has examined the return of materiel from the Pacific area to the United States--principally to the Anniston, Sharpe and Tooele Army Depots. We found that a significant quantity of materiel returned from the Pacific area was sent to property disposal because it was too costly to repair or process for return to stocks. 20

We believe significant reductions in shipping and handling costs can be made by improving identification and screening procedures overseas in order to reduce the amount of returned materiel that is subject to disposal.

We are bringing these matters to your attention at this time because of the continuing and increasing rate at which U.S. military forces are being withdrawn from the Pacific area. It is logical to expect increasing amounts of retrograde materiel to be generated, so we believe prompt action is required to correct deficiencies which exist in the current program.

RETURN OF MATERIEL CLASSIFIED  
AS UNSERVICEABLE - UNECONOMICAL  
TO REPAIR

The volume of materiel being returned from the Pacific to the west coast has increased steadily from a low of 35,000 measurement tons in fiscal year 1965 to 125,000 measurement tons per month during the first half of fiscal year 1970. Upon arrival much of this materiel was classified as unserviceable and uneconomical to repair and was sent to disposal.

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At Sharpe Army Depot, 18,000 tons of materiel were processed and sent to property disposal during fiscal year 1970. During the same period, Sharpe received about 54,000 tons from the Pacific. Processing costs for retrograde materiel sent to disposal at Sharpe amounted to approximately \$1.47 million for this period. This included all direct charges for this processing as well as an allocation for overhead. However, the costs for processing at the port, transportation to the port of entry, and inland transportation to Sharpe are not included.

At Tooele Army Depot, 4,247 tons of materiel with a recorded cost of \$5.7 million were returned from the Pacific area during fiscal year 1970 and subsequently sent to disposal. During the first quarter of fiscal year 1971, Tooele received 1,159 major items--primarily trucks, trailers and tractors--which were later classified as unserviceable and uneconomical to repair and therefore condemned.

We were told by an official at Tooele that, because of differences in repair standards, many items classified as reparable in the Pacific are determined to be uneconomical to repair by Tooele. Differences between the estimated repair costs shown on the Pacific records and those shown on the Tooele records seem to us to be significant. Based on our comparison of these records and discussions with Tooele officials, it appears that the inspectors in the Pacific base their estimates on the cost of returning the item to a serviceable condition, while inspectors at Tooele base their estimates on returning the item to a like-new condition as required by the regulations and instructions from inventory control points.

Examples:

--A field inspector estimated it would cost \$2,073, including return transportation, to repair a 2-1/2 ton refuse truck, and it was returned to Tooele. At Tooele it was estimated that it would cost \$5,786 to repair. This exceeded the authorized repair cost and the truck was sent to disposal.

--A field inspector estimated it would cost \$1,775 to repair a 2-1/2 ton cargo truck, including transportation cost. At Tooele it was determined that the repair cost would be \$5,550 and the truck was sent to disposal.

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We reviewed 698 major items, involving 48 different Federal Stock Numbers with an acquisition cost of approximately \$4 million, that had been classified as uneconomical to repair when received at Tooele. We were unable to determine the transportation cost from the Pacific area to the west coast, but the transportation cost from the west coast to Tooele amounted to about \$114,000 for these items. We traced 246 of the 698 items to the property disposal office and found that 149 of the items with an acquisition cost totaling \$86,155 had been sold for \$6,210. The freight cost to transport these 149 items from the west coast to Tooele Army Depot was \$13,321.

During our visit to Anniston Army Depot, we discovered that about 900 tons of materiel were received from the Pacific area during fiscal year 1970, classified as "unserviceable - uneconomically repairable" and were sent to disposal. To the extent this volume of uneconomically repairable materiel shipped back to the United States can be reduced, substantial costs can be avoided.

RETURN OF LOW-COST ITEMS NOT  
ECONOMICAL TO REPAIR

The Army Materiel Command Retrograde Distribution File, together with instructions from commodity commands, authorizes the automatic disposal overseas of certain low value items. Most items with a value of \$20 or less, regardless of serviceability, are authorized to be sent directly to disposal.

We found that substantial quantities of materiel authorized for automatic disposal are being needlessly returned to mainland Army depots.

During fiscal year 1970, 7 percent of all retrograde tonnage processed at Sharpe Army Depot was sent directly to disposal because the items were determined to be either obsolete, of insufficient value to warrant identification effort, or did not meet minimum line item value limits established by inventory control points. The same was true for 676 tons (valued at \$63 million) of materiel received at Tooele during the same period. These items could have been processed directly to disposal overseas, thereby avoiding the transportation and handling costs involved in shipping them back to the United States.

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CROSS-SHIPMENT OF ITEMS TO AND  
FROM THE PACIFIC

During fiscal year 1970, 12,000 tons of serviceable materiel valued at about \$34.7 million were received at Tooele Army Depot from the Pacific area, and materiel valued at \$45.3 million was shipped to the Pacific area.

We asked the data systems personnel at Tooele to provide us with a listing showing the details on stock numbers having both receipts and issues for the Pacific area. The list showed that 46,943 of 66,812 stock numbers had both receipts and issues during fiscal year 1970. Approximately 847,000 serviceable units valued at \$5 million were received, and over 2 million like items valued at \$13 million were issued.

We believe this volume of cross-shipments indicates that the screening of requirements against returns overseas was not fully effective. We understand that the screening required since October 1, 1970, under new procedures of the Pacific Utilization and Redistribution Agency will minimize such cross-shipments.

RECOMMENDATIONS

We have discussed these matters with officials in the office of the Army's Deputy Chief of Staff for Logistics, and they have concurred with our observations. In order to realize the significant savings we believe are possible, we recommend that:

- The criteria for determining the economic repairability of equipment be clarified so that inspectors in the Pacific Command do not base their decisions on the cost of returning items to serviceable condition while inspectors at depots in the United States base their decisions on the cost of returning the items to like-new condition.
- The necessity for closer screening of low-value materiel be emphasized to overseas commands in order to avoid the uneconomic return of items which are authorized to be sent directly to property disposal.

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3 --The effectiveness of the new screening procedures of the Pacific Utilization and Redistribution Agency which were implemented on October 1, 1970, be monitored to be certain the procedures are working to minimize cross-shipments of similar items to and from the Pacific. P. 1984

These 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.

Sincerely yours,

*E. M. Bailey*  
Director

The Honorable  
The Secretary of the Army 2