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Report On The Need To  
Strengthen Controls Over The  
Procurement And Use Of  
Household Goods Containers

B-159390

Department of Defense

UNITED STATES  
GENERAL ACCOUNTING OFFICE

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AUG. 28, 1972

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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

LOGISTICS AND COMMUNICATIONS  
DIVISION

B-159390

Dear Mr. Secretary:

This is our report on the need to strengthen controls over the procurement and use of household goods containers.

In responding to our draft report, the Acting Assistant Secretary of Defense (Installations and Logistics) cited actions taken or planned to correct the problems identified during our review. He indicated, however, that the use of Government-owned containers will be curtailed by a directive recently issued by the Military Traffic Management and Terminal Service. The directive provides that the military departments will make more extensive use of the services of household goods forwarders who will furnish containers as a part of their service.

We believe, however, that substantial quantities of Government-owned containers will still be required and that the corrective actions noted by the Acting Assistant Secretary are still appropriate.

Copies of this report are being sent today to the Director, Office of Management and Budget, and to the Secretaries of the Army, Navy, and Air Force.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "J. K. Fasick".

For: J. K. Fasick  
Director

The Honorable  
The Secretary of Defense

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- I Letter dated December 20, 1971, from the Acting Assistant Secretary of Defense (Installations and Logistics) to the General Accounting Office 27

ABBREVIATIONS

CONUS	Continental United States
DOD	Department of Defense
GAO	General Accounting Office
GSA	General Services Administration
MTMIS	Military Traffic Management and Terminal Service

D I G E S T

WHY THE REVIEW WAS MADE

During a survey of the household goods moving and storage program of the Department of Defense (DOD), the General Accounting Office (GAO) noted that controls over the procurement and use of Government-owned packing containers appeared inadequate.

Because DOD's annual expenditures for these reusable containers was substantial, GAO made a detailed review to evaluate the controls and to identify areas susceptible to management improvement.

FINDINGS AND CONCLUSIONS

DOD could realize significant savings by procuring household goods containers locally at certain overseas activities rather than from the General Services Administration. For example, GAO estimated that major Army commands in Thailand and Europe could have saved a total of about \$450,000 during fiscal year 1970 by satisfying their container requirements from local sources. (See p. 6.)

After GAO demonstrated that savings of about \$15,000 a year could be realized, the Navy in Hawaii requested authority from the Military Traffic Management and Terminal Service to buy containers locally. (See p. 9.)

In April 1971 the Military Traffic Management and Terminal Service issued a revised directive allowing overseas military activities to purchase containers locally. Implementation of the new directive was delayed until January 1972 because of existing stocks of containers and because of the then-current procurement contracts. (See p. 9.)

GAO found that there was no procedure within DOD for redistributing excess containers among the services, that certain supply procedures had not been followed, and that various DOD organizations had requisitioned containers in excess of their needs. (See p. 11.)

GAO found also that (1) containers had been lost, discarded, and misused because of ineffective controls and (2) the unnecessary use of nonstandard containers had increased transportation costs in Europe. (See pp. 15 and 22.)

RECOMMENDATIONS OR SUGGESTIONS

During its review GAO proposed that DOD:

- Study a new system used in certain western States for intraservice and interservice redistribution of unneeded containers and institute a similar procedure worldwide. (See p. 14.)
- Emphasize to the services the need to follow prescribed supply procedures in computing container requirements. (See p. 14.)
- Issue written instructions emphasizing the need to effectively control the distribution and use of household goods containers. (See p. 20.)
- Establish uniform storage standards to insure that containers are afforded the protection needed to guarantee their continued usefulness. (See p. 20.)
- Assign an internal audit group to review the results of any corrective actions taken by DOD and to periodically review container use to insure that the financial interests of the Government are protected. (See p. 20.)
- Institute procedures to provide reasonable assurance that existing instructions regarding the use of nonstandard containers are complied with. (See p. 24.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

DOD acknowledged proposals made by GAO and stated that it would take the necessary corrective action.

DOD added that the use of Government-owned containers in the future would be minimized because the method of shipping which required such containers had been drastically curtailed. (See p. 6.)

However, GAO believes that a substantial number of containers will still be required and that the corrective actions promised by DOD will result in worthwhile savings if aggressively pursued. (See p. 6.)

## CHAPTER 1

### INTRODUCTION

The cost of shipping the household goods of civilian and military personnel constitutes one of the largest single segments of the Department of Defense (DOD) transportation budget. During fiscal year 1971 this expenditure exceeded \$433 million, of which about \$165 million was for overseas shipments.

This report concerns the reusable Government-owned containers in which household goods are packed for shipping. Although some of the containers discussed are used for domestic shipments, the majority are used for overseas shipments. We have, therefore, limited our review to overseas movements and, more specifically, to the containers used in such movements.

Generally there are two methods available for moving household goods between the continental United States (CONUS) and overseas locations. One method is the "through Government bill of lading" wherein a single bill of lading is issued to a household goods forwarder to procure transportation and related services from origin to destination. Under this method, the forwarder usually furnishes its own containers and the charge for such containers is included in the rate. If Government-owned containers are used, the forwarder's rate is reduced slightly.

The other method is "direct procurement" wherein the Government provides the containers and makes separate arrangements with packing firms and carriers for the various services required. Our review was directed to evaluating DOD's procurement and use of containers under this method as well as those furnished to the forwarders by the Government. Pictures of the standard Government container, commonly referred to as a type II container, follow on the next page.

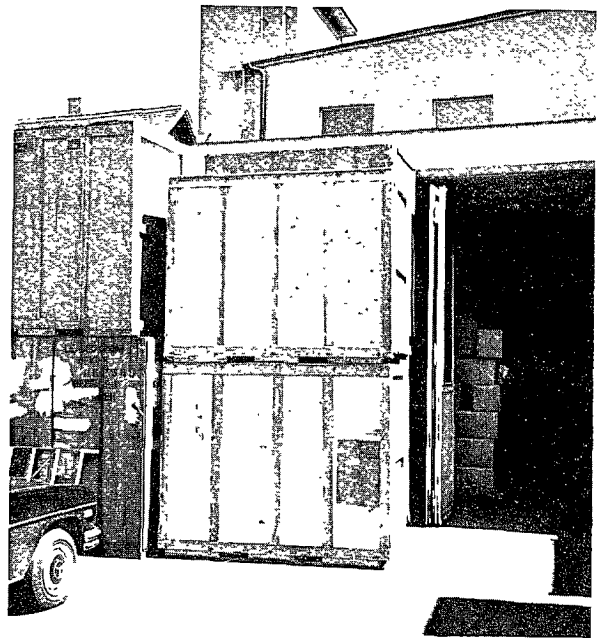
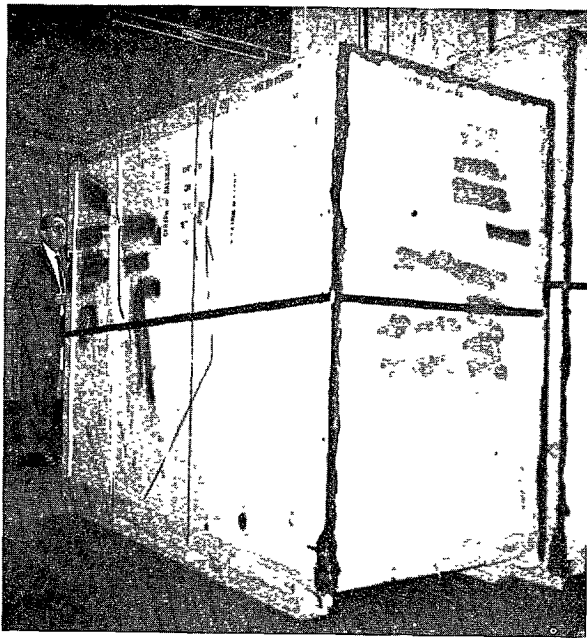
The General Services Administration (GSA) has been responsible since 1967 for procuring type II containers for use by DOD and other Government agencies. Our review of

contracts awarded by GSA showed that, during fiscal years 1969 and 1970, GSA procured a total of about 74,000 type II containers. The total cost of these containers was about \$3.9 million, and the unit prices ranged from \$39.95 to \$62.01.

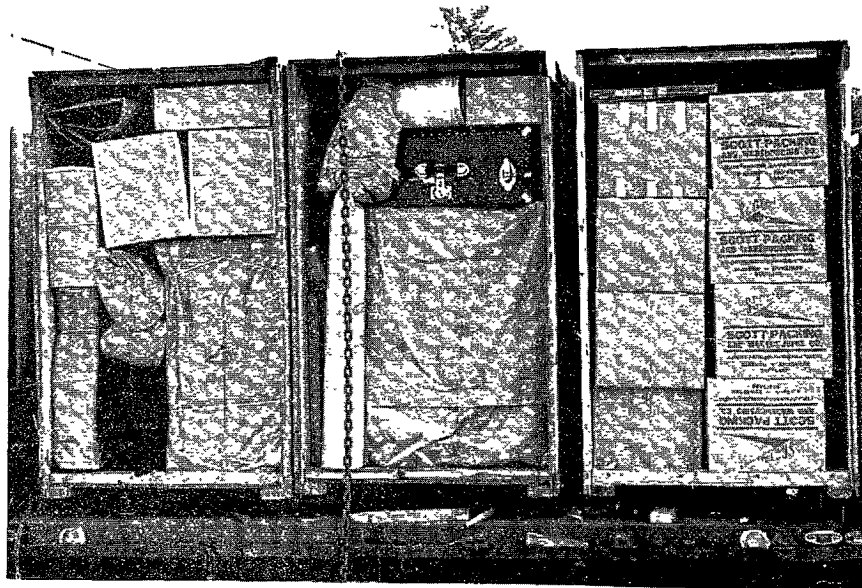
In addition to the GSA source, transportation officers bought type II containers from local sources at varying prices. A study by DOD showed that \$2.28 million was spent to purchase containers from local sources in fiscal year 1969.

DOD has designated the Military Traffic Management and Terminal Service (MTMTS) as traffic manager for its worldwide household goods moving and storage program. MTMTS has field offices or designated representatives in various locations in CONUS and overseas to carry out its assigned responsibilities. The military services operate transportation offices at various installations around the world.





CONTAINERS READY FOR SHIPMENT



EXAMPLE OF FULLY LOADED TYPE II CONTAINERS

## CHAPTER 2

### OPPORTUNITY FOR SAVING BY

#### PROCURING CONTAINERS LOCALLY

DOD can realize significant savings by procuring type II containers locally at certain overseas activities. For example, we estimated that DOD could have saved a total of \$451,000 during fiscal year 1970 at major Army commands in Thailand and Europe by satisfying its container needs from local sources rather than from GSA. Our estimate of savings was based on the number of containers procured from GSA.

After we called the matter to its attention, DOD took prompt action to permit overseas military activities to procure containers locally.

In commenting on a draft of this report (see app. I), DOD stated that the use of the direct procurement method of shipping had been drastically curtailed and that the need for Government-owned containers would therefore be minimized in the future. We believe, however, that a substantial number of containers will still be required for those shipments that will continue to move under the direct procurement method.

#### OVERSEAS ACTIVITIES DIRECTED TO PROCURE ONLY U.S.-MANUFACTURED CONTAINERS

On May 29, 1968, MTMS directed all DOD activities to use only U.S.-manufactured type II containers on direct procurement household goods shipments after June 1, 1968. Because of the directive, overseas activities which previously had procured these containers locally were required to procure containers from GSA.

In June 1970, MTMS directed that preference be given to the mode of shipment, either direct procurement or through Government bill of lading, for which U.S.-manufactured containers were available even though the transportation rate by that mode was not the lowest. Conversely, the use of foreign-made type II containers was authorized only when neither the through Government bill of lading carriers nor

the transportation officers had U.S.-manufactured containers available. Although this directive allowed procurement of foreign-made containers under certain circumstances, we found that U.S.-manufactured containers continued to be used almost exclusively.

MMTS DIRECTIVE INCREASED  
COST OF PROCURING CONTAINERS

To determine the effect that the MMTS directive had on DOD's transportation costs, we analyzed the costs incurred by two major overseas Army commands--Thailand and Europe--and by the Navy command in Hawaii for the procurement of type II containers during fiscal year 1970. We found that significant savings could have been achieved by these commands if they had been permitted to satisfy their container requirements through local procurement rather than by requisitioning from GSA.

For example, the Army's cost of procuring U.S.-manufactured type II containers in Thailand during fiscal year 1970 was \$101.34 a unit, including transportation and related costs. The containers could have been purchased locally for \$43.21 a unit. The difference of \$58.13 per unit exceeded the cost of local procurement by about 135 percent. If the 3,050 containers required during the period had been procured locally, about \$177,000 would have been saved.

In Europe the Army obtained type II containers from GSA at a cost of \$79.36, although the containers could have been purchased locally for \$40.15. Here, the difference of \$39.21 exceeded the cost of local procurement by about 98 percent. Local procurement of the 6,981 containers actually obtained from GSA during fiscal year 1970 would have saved about \$274,000.

Details of our savings computations follow.

### Thailand

Cost of U.S. procurement per type II container:	
GSA catalog price	\$ 52.00 <sup>a</sup>
GSA 7% export charge	3.64
Ocean transportation	42.35
Stevedore charges	.48
Surface transportation from port	<u>2.87</u>
Total cost	101.34
Less cost of local procurement	<u>43.21</u>
Excess cost	58.13 (135%)

Number of containers shipped by GSA during fiscal year 1970	<u>3,050</u>
Excess cost	<u>177,296.50</u>

### Europe

Cost of U.S. procurement per type II container:	
GSA catalog price	52.00 <sup>a</sup>
GSA 7% export charge	3.64
Ocean transportation	15.37
Stevedore charges	4.12
Surface transportation from port	<u>4.23</u>
Total cost	79.36
Less cost of local procurement	<u>40.15</u>
Excess cost	39.21 (98%)

Number of containers shipped by GSA during fiscal year 1970	<u>6,981</u>
Excess cost of U.S. procurement	<u>273,725.01</u>

Total excess cost or potential savings in Thailand and Europe \$451,021.51

<sup>a</sup>The GSA catalog price (\$52) was increased to \$65 in October 1969 and then was decreased to \$52 in October 1970. The \$52 figure was used to simplify the illustration.

On the basis of these two instances involving about 10,000 type II containers, we estimated that excess procurement costs were similarly incurred for most of the additional 12,500 containers shipped overseas to other DOD installations during fiscal year 1970.

In Hawaii we made an analysis of the Navy's type II container procurement program and found that it cost about \$25 more to procure and ship a GSA container to the Navy command at Pearl Harbor than to procure a container locally. If the 600 containers procured from GSA during fiscal year 1970 had been procured locally, a saving of \$15,000 would have been achieved. Navy officials at Pearl Harbor agreed to request authorization to procure locally when we brought this matter to their attention.

The excess cost incurred by the Navy at Pearl Harbor in obtaining containers from GSA indicates that similar savings may have been possible through local procurement of most of the 3,800 containers procured by the Navy from GSA during fiscal year 1970 for overseas use.

#### AGENCY ACTIONS AND COMMENTS

We discussed our findings with the Directorate of Personal Property, Headquarters, MMTS. We pointed out that DOD's policy with regard to foreign procurement provides that, when the cost of U.S. products (including transportation and handling costs) exceeds the cost of foreign products by 50 percent or more, such cost is considered unreasonable and procurement from a foreign service is authorized.

In April 1971, MMTS rescinded the earlier directive and issued a revised directive allowing all overseas military activities to procure type II household goods containers locally provided that the procurement complies with the above-stated DOD procurement policy and that containers conform to established specifications and standards. Implementation of the new procedures was delayed until January 1972 to permit reduction of existing stocks of containers.

In responding to a draft of this report, DOD cited actions taken or planned to correct the problems identified during our review. (See app. I.) It stated that a recent

directive released by MTMTS, however, will almost eliminate the requirement for Government-owned household goods containers. The directive provides that the military departments ordinarily will not directly procure the transportation and related services for the movement of household goods. Instead, the military will utilize the services of household goods forwarders who will arrange for all transportation and related services, including the shipping containers.

We believe, however, that a substantial number of containers will still be required. For example, shipments from overseas areas, which are consigned to U.S. ports and stored until the final delivery destination is determined, will continue to be shipped directly by the Government and will require the use of Government-owned containers. During 1971 there were over 2,100 shipments of this type to the Military Ocean Terminal, Bayonne, New Jersey. We estimated that over 3,500 standard Government household goods containers were needed for those shipments.

#### CONCLUSION

The prompt action taken by DOD to permit local procurement of type II containers, if properly administered, should result in some savings. Although the use of Government-owned containers will be curtailed by the directive recently issued by MTMTS, substantial quantities will still be needed. We believe therefore that the corrective actions noted by DOD are still appropriate.

## CHAPTER 3

### TYPE II CONTAINERS PROCURED BY DOD IN

#### EXCESS OF ITS IMMEDIATE NEEDS

Various DOD organizations had requisitioned type II containers in excess of their needs because there was no procedure for redistributing excess containers among the three services and because certain supply procedures were not followed.

#### NO PROCEDURE FOR REDISTRIBUTING EXCESS TYPE II CONTAINERS AMONG THE MILITARY SERVICES

Expenditures for the procurement of new type II containers could have been reduced by redistributing excess type II containers within and among the military services. We found that various DOD installations and contractors in CONUS had substantial stocks of excess containers which either were not utilized for years or were discarded as salvage even though the containers were reusable.

Only the Navy had a procedure for the intraservice transfer of excess containers. For example, most of Pearl Harbor's fiscal year 1970 container requirements were satisfied by redistributing 1,300 excess containers from Navy activities on the U.S. west coast.

Conversely, the Air Force-managed Joint Household Goods Shipping Office in San Antonio, Texas, did not have such a procedure and discarded 286 type II containers as salvage during a 9-month period even though some of them, on the basis of past experience, were reusable.

Some interservice transfers of excess containers were made at sites we visited after we discussed the matter with the installation transportation officers. For example, the Army transportation officer at Fort Bragg, North Carolina, asked MTMTS whether any service had a need for 75 type II containers. The Navy, having such a requirement, accepted the containers and paid the related transportation costs. The Navy also agreed to utilize 560 excess containers found

in the custody of contractors serving the military in the San Francisco area. Some of the containers had been stored for as long as 2 years.

On April 30, 1971, after we had completed our field-work, the Western Area, MTMTS, in Oakland, California, invited all transportation officers in 14 western States to participate in an informal container-reporting system. The officers were requested to report excess type II containers to Western Area, MTMTS, which would prepare and distribute a master list of all excess containers. Installations having a requirement for containers could then contact the nearest activity reporting excesses.

#### CONTAINER REQUIREMENTS OVERSTATED

Requirements computations for type II containers by some overseas installations which we visited were inaccurate and, in some instances, caused requisitions for the item to be overstated. The inaccurate computations were attributable to a failure to follow prescribed supply procedures and to poor records.

In September 1968 the Army instructed its overseas activities to compute requirements for type II containers in accordance with prescribed supply procedures and to requisition their requirements through established supply channels. This instruction was issued as a result of the May 1968 MTMTS directive to procure U.S.-manufactured containers.

Annual requirements in Thailand were computed by the Army transportation officer, and the requisitions were filled directly by GSA. Documentation supporting the computations was not available, and there were no adequate receipt, issue, and container utilization records. Thus, it was not possible to compute container requirements accurately. On one requisition from Thailand for 3,840 containers, the only justification furnished was that this quantity equaled the maximum monetary amount that could be cited on a single requisition without the Commanding General's specific approval. Such a basis for justification could only accidentally have a relationship to actual need.



Army units in Europe responsible for computing requirements and maintaining transaction records for type II containers for transportation officers in their designated areas either did not maintain such records and simply forwarded requests to the headquarters' theater supply system without verification or did not compute requirements in accordance with prescribed procedures. As a result the computations to determine future requirements were not accurate. The errors included (1) the use of a conjectural rather than an actual order and shipping time period, (2) the omissions of transportation officers' requests and outstanding requisitions, and (3) the use of incorrect periods for determining average demands for the items.

Ordering units requisitioned duplicate quantities of containers because the transportation officers' needs were included in the overall requirements computation as well as in separate requisitions submitted from time to time as container stocks diminished. For example, in June 1970 an ordering unit computed a requirement for and requisitioned 220 containers which represented the historical demand needs of the six transportation offices that it served. During the same month, it submitted a requisition for an additional 540 containers apparently based upon individual requests from the same six offices. As a result, the ordering unit requisitioned about 3-1/2 times the quantity needed based on the overall requirements computation.

The Navy transportation officer at Pearl Harbor did not maintain adequate utilization records, nor was adequate verification made of containers in the possession of contractors. Instead, statistical reports and estimates were used to make the computation.

The Naval Supply Systems Command Manual requires that transportation officers furnish requirements data for type II containers to the Command and maintain records of the containers utilized each month. Containers in the possession of contractors are supposed to be physically inventoried each month.

Verification of Pearl Harbor's requirements computation for fiscal year 1971 showed that the number of reusable containers from inbound household goods shipments and the

number of containers on hand at contractors' warehouses were understated. We brought this matter to the attention of Navy officials, and they canceled their fiscal year 1971 requisitions for 1,200 containers at an estimated saving of \$51,600 to \$120,000, depending on whether the requirement would have been satisfied through redistribution from other activities, as mentioned earlier in this chapter, or through procurement.

#### GAO PROPOSALS AND AGENCY COMMENTS

We brought our findings to the attention of DOD and proposed that it study the merits of the system inaugurated in 14 western States for the interservice and intraservice redistribution of unneeded containers. We also proposed that DOD emphasize to the services the need to follow prescribed supply procedures in computing container requirements.

In response (see app. I) DOD stated that it would study the merits of the system inaugurated in the western States and that the services would increase their monitoring of the procedures employed in setting requirements for household goods containers.

#### CONCLUSION

We believe the actions planned by DOD will, if properly implemented, insure that containers are procured only after those available from other sources have been considered and will provide control over the propriety of container requirements computations.

## CHAPTER 4

### MANAGEMENT CONTROLS NEEDED

#### TO PREVENT LOSS AND MISUSE OF CONTAINERS

Containers have been lost, discarded, and misused because of ineffective controls over their distribution and use. We found that many Government-owned containers had been lost because the markings were inadequate to positively identify them as being Government owned, and many containers were being stored without protective covering even though the plywood panels delaminate after exposure to wet weather.

We think the major cause of these deficiencies is the lack of comprehensive DOD instructions governing the management and control of these containers.

Most of the Army, Air Force, and Navy transportation offices we visited in Europe, CONUS, and the Far East had no effective management controls over Government-owned household goods containers. Of 19 installations visited, 10 had no control records, another four had no records for overflow containers,<sup>1</sup> and only one had effective controls over both. Typical deficiencies for those offices maintaining records included the lack of receipts for containers issued to contractors, the failure to make physical inventories, and incomplete and/or nonindependent records.

Most packing and crating contracts reviewed required the contractors to control Government property in their possession. However, 13 of the contractors we visited had no records; 10 contractors had inadequate records, and they could not account for overflow containers shown to be in their possession, and/or their records for type II containers were incomplete; and only two of 25 contractors had adequate records.

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<sup>1</sup>Nonstandard containers specially built to accommodate excess items insufficient to justify the use of another type II container or specially built for odd-sized articles.

## WRITTEN PROCEDURES LACKING

Although joint regulations for managing personal property shipments have been published by the military services, there are no joint instructions for the management of type II containers. The Air Force transportation offices visited had not received any written instruction on the management of Government-owned containers.

At the Army transportation offices visited, only those in Europe had written instructions for the management of containers. These instructions were included in a letter from the U.S. Army Procurement Center, Frankfurt, Germany, to offices ordering packing and crating services.

The Navy provided the most guidance through the Naval Supply Systems Command Manual, which required transportation officers to insure that all type II containers were accounted for and made available for reuse. It also required contractors to account for those received and used. It did not, however, provide guidance for control of overflow containers.

## GOVERNMENT CONTAINERS LOST AND MISUSED

Our reconciliation of shipping and receiving documents with physical inventories identified inventory losses. In Europe, one support district with six transportation offices lost 147 type II containers during a 14-1/2-month period, and 327 overflow containers were unaccounted for. In CONUS, a transportation office lost 110 type II containers during a 9-month period.

Because of ineffective controls, many containers eventually ended up in the hands of common carriers without military authorities knowing about it and without compensation to the Government for the use of such containers. Under the regulations common carriers may use Government-owned type II containers on Government through bill shipments so long as the Government receives an appropriate rate reduction.

In Europe we made three physical inspections of the Bremerhaven Terminal during April, June, and September 1970

to identify Government containers being used on through bill shipments. During the inspections, 77 Government-owned containers were identified as having been used on 65 outgoing shipments. A provision of the Military Rate Tender for through Government bill of lading shipments authorizes common carriers to use Government-owned containers in consideration of a \$1.50 per net hundredweight rate reduction. We reviewed the bills of lading applicable to 59 of the 65 shipments and found that only six were annotated to the effect that Government containers were used. Without such an annotation, military finance offices and rate auditors cannot determine that a rate reduction is due the Government. Similar examples were found in CONUS and in the Far East.

We found Government-owned containers at through bill agents' warehouses without authorization. We found in various contractors' warehouses in the San Francisco Bay area 735 Government-owned containers which the responsible military services did not have on their records. At one warehouse the contractor was using 235 Government-owned containers for his nontemporary storage business without proper authority. Of these, 124 were being used for commercial storage purposes.

Some transportation offices were discarding Government-owned overflow containers without considering their reuse, or they were reusing only a few containers. In CONUS one contractor was discarding Government-owned overflow containers at the direction of the transportation office even though some were reusable. In Europe a contractor reused only 4.3 percent of the overflow containers received during a 14-1/2-month period. On the other hand, another European contractor, who followed the practice of discarding all containers measuring less than 48 cubic feet, reused 62 percent of those received during a 3-month period.

#### CONTAINER MARKINGS INADEQUATE

Government-owned type II containers were lost because their distinctive markings were often obliterated.

A Federal specification (PPP-B-580a) requires the following markings to be stenciled or painted in black on

one side and one end of each type II container at the time of manufacture:

USE NO HOOKS  
STORE UNDER COVER  
U.S. DEMOUNTABLE BOX  
REMOVE LAG BOLTS

Other markings required are: CENTER OF BALANCE, SLING HERE, and FORKLIFT HERE.

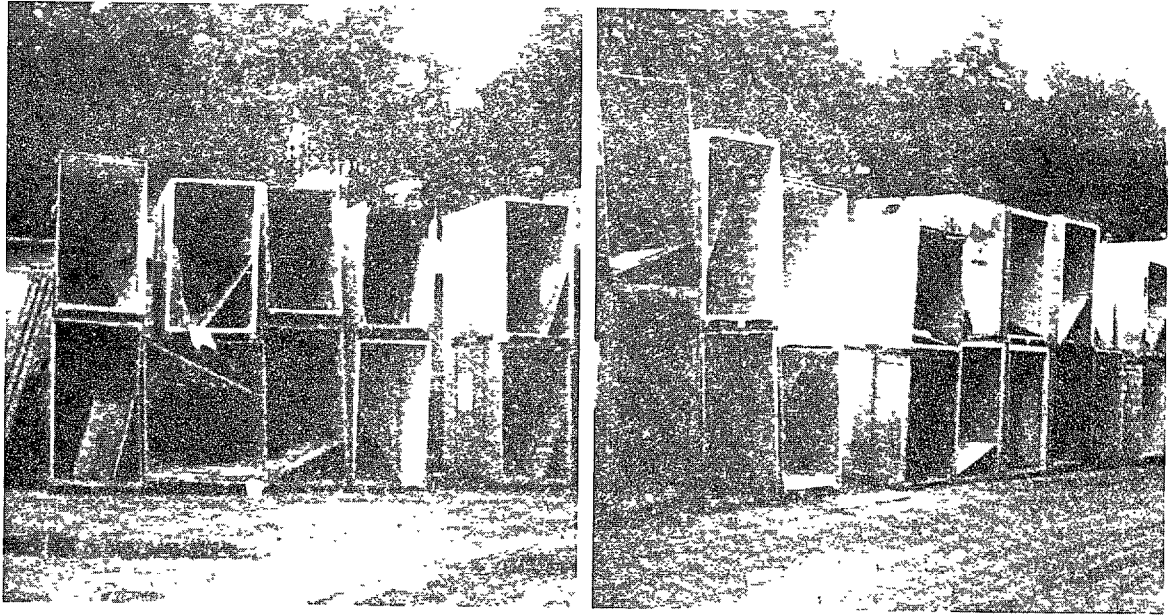
Despite these markings which are supposed to remain unobliterated, we encountered difficulties in identifying type II containers as being Government-owned. In some instances, the markings were simply painted over or sanded off and were replaced by commercial markings, while in other instances, the containers had both commercial and Government markings. For overflow containers the problem is even worse because no markings at all are required to identify them as Government owned.

MMTS added other stenciled marking requirements in July 1970, but these also could be readily obliterated.

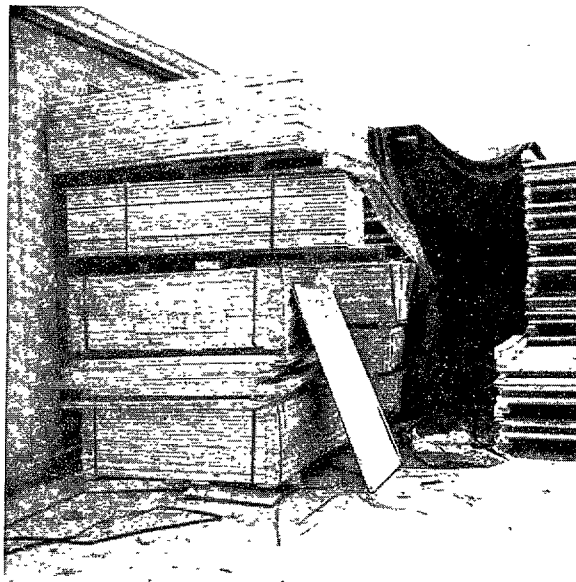
NEED TO EVALUATE AND REVISE  
STORAGE STANDARDS

Type II containers require storage under protective cover because the plywood panels, which are assembled with glue, delaminate after exposure to moisture. However, we noted numerous instances where DOD installations and contractors both in CONUS and overseas were storing type II containers out-of-doors without protective cover. Pictures showing both new and used type II containers being stored out-of-doors are on the next page.

Storage standards varied within and among the three services. Army transportation offices in Europe were required to provide indoor storage for type II containers because storage out-of-doors under tarpaulins was not adequate. On the other hand, the Army's Pacific Command Household Goods Management Agency merely required storage under tarpaulins or other waterproof materials. A Navy



EXAMPLES OF USED TYPE II CONTAINERS  
BEING STORED BY GERMAN CONTRACTOR



EXAMPLE OF STORAGE OF NEW TYPE II CONTAINERS

regulation specified only "storage under cover," and the Air Force had imposed no storage standards at all.

Although the Code of Federal Regulations specifies that protective cover must be provided for Government property in the possession of packing and crating firms, individual contracts we examined did not contain such a provision.

The container storage problem at overseas activities was aggravated when MIMTS directed the procurement of U.S.-manufactured containers instead of local procurement. The change in policy resulted in the need to maintain increased inventories of containers to compensate for the increased time it took to receive replacement orders. Since Army transportation offices in Europe did not have adequate storage, an Army depot and two of its offsite locations (one 2 miles and the other 80 miles away) had to be used to store the remaining containers which were in excess of immediate requirements. Similarly, the Army in Thailand was storing 850 containers, or about a 3-month supply, out-of-doors without protective cover.

#### GAO PROPOSALS AND AGENCY COMMENTS

We called these matters to the attention of DOD and proposed that DOD:

- Issue written instructions emphasizing the need to effectively control the distribution and use of household goods containers.
- Establish uniform storage standards to afford containers the protection needed to guarantee their continued usefulness.
- Assign an internal audit group to review the results of any corrective actions taken by DOD and to periodically review the use of containers.

In response (see app. I), DOD agreed that the use and storage of household goods containers should be effectively controlled. It informed us that the individual military services would increase their monitoring of these activities



and that DOD internal audit organizations would give audit coverage to the management and use of the containers.

CONCLUSION

The actions taken or planned by DOD are responsive to our proposals and should substantially correct the problems we identified.

## CHAPTER 5

### USE OF NONSTANDARD CONTAINERS

#### INCREASED TRANSPORTATION COSTS IN EUROPE

Packing and crating contractors serving the Army in Europe had a tendency to use nonstandard or "overflow" household goods containers when they could have used standard type II containers. This practice, which was more prevalent in this theatre than elsewhere, resulted in unnecessary transportation costs. Moreover, the numerous shapes and sizes of overflow containers being used complicated handling and accounting.

The criteria in regulations and instructions on the preparation of household goods for shipment are that overflow containers should be used only for (1) the remaining articles of a shipment which would not justify the use of another type II container, (2) small shipments of 700 pounds or less, and (3) articles which will not fit in type II containers because of their configurations. Overflow containers used in circumstances 1 and 2 above would always be smaller than type II containers. In circumstance 3, the container should be no larger than needed to accommodate the article which would not fit into a type II container.

Packing and crating contractors realize more income by using overflow containers because they furnish them at an additional cost, whereas the Government furnishes type II containers. A contractor in Europe generally charges about \$55 for an overflow container similar in size to a type II container.

The rate for packing overflow containers, in some contracts, is higher than the rate for packing type II containers. For example, a contractor used two 96-cubic foot overflow containers instead of one type II container and one small overflow container. As a result, the contractor realized additional income of about \$63, as illustrated in the following computation.

Cost billed for use of:

Packing two overflow containers	1,155 lbs. at \$6.56 per net hundredweight = \$75.77
Furnishing two overflow containers	192 cu. ft. at \$0.33 per cu. ft. = <u>63.36</u>

Total cost billed \$139.13

Comparative cost for use of:

Packing one type II container	1,000 lbs. at \$5.46 per net hundredweight = \$54.60
Packing one overflow container	155 lbs. at \$6.56 net per hundredweight = 10.17
Assembling one type II container	1 container at \$0.82 each = .82
Furnishing one overflow container	30 cu. ft. at \$0.33 per cu. ft. = <u>9.90</u>

75.49

Additional income

\$ 63.64

The probability of reusing an overflow container is less than that for reusing a type II container because specifications for overflow containers do not require a design that will facilitate disassembly, whereas type II container specifications do require such a design. Furthermore, because of their numerous shapes and sizes, accountability for and use of overflow containers complicate handling of household goods shipments. One packing and crating contractor used 33 different sizes of overflow containers during a 1-month period.

The justification for the use of large overflow containers by packing and crating contractors serving the Army in Europe was that they were required to accommodate large

articles of furniture, such as china cabinets, couches, and wardrobe cabinets. At five of the larger Army transportation offices, we reviewed household goods inventory lists of articles packed in overflow containers which exceeded the 166-1/2-cubic foot capacity of a type II container. We found 56 instances where only one or two articles in each shipment justified the use of an overflow container. The evidence showed that the remaining articles could have been packed into a type II container. Thus, the transportation offices were not following the instruction to use a separate overflow container only for articles which, because of their configuration, would not fit in type II containers.

We found that other unwarranted uses had been made of overflow containers. For example, we noted a shipment where three 137-cubic foot overflow containers had been used. Our inspection of the shipment when it was delivered showed that, even though each container was about 10 inches longer and wider than a type II container, none of the articles in any of the three containers was so large that it could not have been packed in a type II container.

Although we have limited our discussion to the use of overflow containers in Europe, our review at the Joint Household Goods Shipping Office, Cameron Station, Virginia, indicated that overflow containers were also being used unnecessarily in the Washington, D.C., area.

#### AGENCY COMMENTS

In response to our proposals that DOD institute procedures to provide reasonable assurance that packing and crating contractors comply with existing instructions concerning the use of nonstandard containers, DOD agreed that unnecessary use of nonstandard containers should be eliminated and stated that action was being taken to do so.

#### CONCLUSION

We believe that the existing regulations and instructions concerning the use of nonstandard or overflow containers are adequate and, if complied with, should be effective in controlling the use of nonstandard containers.

## CHAPTER 6

### SCOPE OF REVIEW

Our work on this review was done at Army, Navy, Air Force, and related DOD installations located in the United States, Europe, and the Far East and in three General Services Administration offices.

We analyzed fiscal years 1970 and 1971 transactions affecting the procurement, distribution, and use of Government household goods containers. In addition, we reviewed applicable regulations, procedures, practices, and records relating to the procurement and use of such containers.

We discussed containers and container-related problems with officials at procurement and supply agencies, transportation offices, packing and crating contractors' offices, ocean terminals, and common carriers or their agents' offices. We made physical inventories of containers and inspected the warehouses and storage areas of military agencies, packing and crating contractors, and common carriers or their agents.



ASSISTANT SECRETARY OF DEFENSE  
WASHINGTON, D.C. 20301

INSTALLATIONS AND LOGISTICS

20 DEC 1971

Mr. T. E. Sullivan  
Director, Transportation Division  
General Accounting Office  
Washington, D. C. 20548

Dear Mr. Sullivan:

This is in answer to your letter of October 14, 1971 which forwarded the draft report concerning the need to strengthen the controls over the procurement, distribution, storage and use of household goods containers (GAO Code 43149 and OSD Case #3361).

We agree that savings will be realized by the local procurement of household goods containers in Thailand and Germany rather than by requisitioning them through normal supply channels. The Military Traffic Management and Terminal Service (MTMTS) issued a directive in April, 1971 which allowed oversea military activities to procure containers locally. This policy will be fully implemented about January 1, 1972. The full implementation of the policy was delayed in order to permit the reduction of existing stocks of containers.

There are Department of Defense (DoD) and Service supply regulations which prescribe procedures for the redistribution of excess property including household goods containers among the Services. We share your view that the merits of the system inaugurated by the Western Area, MTMTS to redistribute household goods containers should be studied and this will be done.

It is our opinion that the requirements for household good containers should be computed in accordance with normal supply procedures and their use and storage should be effectively controlled. The Services have agreed to increase the monitoring of these activities. We also are of the opinion that the unnecessary use of nonstandard containers should be eliminated and action is being taken to do so.

The use of household goods containers will be minimized in the future because the movement of household goods by the use of the direct procurement method (DPM) was drastically curtailed by an MTMTS

APPENDIX I

directive of September 29, 1971. The reduction in the use of this method will almost eliminate the requirement for household goods containers. MTMTS is making arrangements with the Through Government Bill of Lading (TGBL) carriers for the use of our stock of containers on either a rate-reduction or purchase basis. These arrangements, when effected, will protect the government against the accumulation of unnecessary containers due to the curtailment of the use of DPM.

We do not consider that the assignment of one internal audit group to review DoD corrective action on this report and to review periodically the use of containers is necessary. We do agree, however, that the matter should have appropriate internal audit coverage. Each of the DoD internal audit organizations will give audit coverage to the management and use of household goods containers, consistent with available resources and other priorities.

We appreciate the opportunity to comment on the draft report. The report and the resulting follow-on actions will improve the effectiveness of the household goods moving program.

Sincerely,



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

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