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REPORT TO THE CONGRESS

Marine Corps Logistics System Could Be Drastically Reduced By Greater Reliance On Integrated Managers

Department of Defense

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

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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 reducing the Marine Corps' logistics system by having the Marine Corps rely more on DOD integrated logistics managers.

We made our review 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; and the Secretary of the Navy.

A handwritten signature in cursive script, reading "James B. Stacks".

Comptroller General
of the United States

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ABBREVIATIONS

DSA	Defense Supply Agency
DOD	Department of Defense
FSR	force service regiment
GAO	General Accounting Office
GSA	General Services Administration
ICP	inventory control point

COMPTROLLER GENERAL'S
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MARINE CORPS LOGISTICS
SYSTEM COULD BE DRASTICALLY
REDUCED BY GREATER RELIANCE
ON INTEGRATED MANAGERS
Department of Defense

D I G E S T

WHY THE REVIEW WAS MADE

GAO wanted to determine whether it would be feasible and economical for Marine Corps operating forces to obtain increased supply and maintenance support directly from other Department of Defense (DOD) logistical organizations.

FINDINGS AND CONCLUSIONS

The Marine Corps has about 200,000 military personnel. It operates an essentially autonomous wholesale supply and depot maintenance system employing 4,500 people at an annual cost of \$68 million.

The Corps maintains that it needs to centrally control its wholesale supply and depot maintenance operations in order to maintain combat readiness and reduce its operating forces' administrative burden. But:

- The Corps already depends on other DOD activities for much of its logistical support. Its operating forces, moreover, have substantial logistical capability to obtain direct support from DOD integrated managers.
- Other military services procure 417 of the 648 weapons and major equipment items used by the Corps. (See p. 6.)

--Other services also use 72 of the 118 items introduced into the Corps' system during a recent 3-year period, and these services are able to provide spare parts, special tooling, and test equipment needed for the initial support of such items. (See p. 6.)

--In wartime, the Navy supplies subsistence and fuel to the Corps' operating forces when they deploy; Corps aircraft are maintained and supplied by the Navy; and the Corps depends on the Navy for all medical supplies and personnel support. (See p. 5.)

--The Army procures, and both the Army and the Navy handle, the storage and distribution of Corps ground ammunition. (See p. 7.)

--Most of the 215,000 supply support items managed by the Corps' central inventory control point are managed by other DOD supply activities and have also been specifically assigned to those activities to support all of the military services. (See pp. 2 and 7.)

--The Corps' operating forces have access to 4 months of stock when they deploy, and they are provided with additional supplies from war reserves. (See p. 14.)

The Corps also relies on other military services and commercial firms for equipment overhauling beyond its own capability. The Army overhauls the same categories, and in some instances the same items, of equipment on an assembly-line basis that the Corps overhauls in limited quantities on a job-shop basis. (See pp. 9 and 10.)

Corps operating forces have substantial logistical capability independent of wholesale supply and depot maintenance operations. Force service regiments of the operating forces responsible for providing logistical support to an entire amphibious force, are adopting an automated system for controlling supplies. (See p. 13.)

Another existing system, which is used by all military services, can automatically address the regiments' supply requests to appropriate DOD sources and thus bypass the Corps' central system. These regiments also can do field-level maintenance on virtually all types of equipment. (See p. 14.)

The Corps' operating forces already have administrative requirements that would not be increased by a reduction of central logistical support. Divisions and wings must budget and account for operating funds and must obligate funds, verify billings, and record expenses for supplies obtained through the wholesale supply system. Operating force units also must report changes in training, personnel, and logistics that affect their combat readiness status. This information can be used to correct deficiencies in the operating forces, including materiel problems. (See p. 15.)

The remaining centrally managed functions of the Corps' logistical system involve managing war reserves, accounting for principal items, publishing technical information, and budgeting and accounting for operations. These functions require limited resources in comparison to those currently spent for logistical operations, and certain aspects of the war reserves and technical information functions are similar to those carried out by other DOD activities which could assume the Corps' workload. (See p. 15.)

In conclusion, DOD's systems for providing logistical support to all military services are well developed and can adequately respond to the Corps' wholesale supply and depot maintenance requirements.

Supplies over and above those provided from war reserves could be provided by integrated managers without the need for the Corps to maintain a separate wholesale supply system.

Overhaul requirements could be programed at other service depots to achieve the readiness posture the Corps requires to respond to emergency situations.

Some savings from greater reliance on other logistical systems would be immediate. The investment in the inventory of supply support items could be reduced by about \$300 million. A large part of the approximately \$22 million annual expenditure for operating Corps storage depots could be reduced.

Some added costs would be incurred by those DOD activities assuming

the functions of the Corps' inventory control point. However, the inventory control point's annual operating costs for supply operations, provisioning, and procurement, totaling about \$6 million, would be eliminated.

Eliminating these functions would also cause a reduction in the inventory control point's expenditures for technical information, budgeting and accounting, data processing, and support services, which total about \$16 million annually.

Further, there would be an opportunity to reduce the \$11 million requested to relocate the Corps' inventory control point from Philadelphia to Albany, Georgia.

Longrun benefits would include the elimination of additional transportation costs required to maintain a wholesale stock of supplies and costs related to the Corps' low-volume, job-shop overhaul operations. Other savings naturally would accrue from more effective and efficient use of other DOD common facilities and operations.

RECOMMENDATIONS

The Secretary of Defense should require that:

- All principal items be procured and provisioned by the military services which use the items the most, to reduce duplication in the contract administration function of Corps headquarters and eliminate the provisioning function of the Corps' inventory control point.
- The operating forces receive supply support from integrated

managers of other DOD supply activities and the General Services Administration, to eliminate the inventory control functions of the Corps' inventory control point and the supply support storage functions of its four depots.

- The management of ammunition be subject to DOD-wide management, to reduce Corps headquarters' ammunition management duties.
- Equipment be overhauled by the cognizant military service, to eliminate the small overhaul functions of the Corps' two maintenance depots.
- War reserve materiel be stored by appropriate DOD activities, to eliminate the need for the Corps' operation of two storage depots.

Since these recommendations would substantially reduce logistical functions requiring central management, the Secretary of Defense should reconsider the need for the Marine Corps to spend \$11 million for a new inventory control point in Albany.

AGENCY ACTIONS AND UNRESOLVED ISSUES

DOD stated that it had reviewed the Marine Corps' supply management and that the Corps had proposed to:

- Eliminate supply support items managed by integrated managers.
- Eliminate two of its four depots.
- Emphasize direct support of operating forces by integrated managers.

These actions, according to DOD, will diminish the Marine Corps'

involvement in supply management and storage along lines recommended by GAO. However, the Marine Corps will still need new office space in Albany, Georgia, for certain supply management functions.

DOD also stated that it was studying the potential for further DOD-wide consolidation of equipment overhaul operations and ammunition management. DOD added that it would tell GAO about any decisions it made on further interservicing of Marine Corps activities on the basis of these studies.

DOD's action in eliminating the Marine Corps' management of integrated manager items and in permitting direct support to using units should substantially reduce the duplicate function of the Corps' inventory control point. DOD's studies of consolidating depot maintenance and ammunition management also should further reduce the Corps' logistical system because other military services have more extensive capabilities.

DOD may want to further consider the need for the Corps to procure and provision principal items and to manage the relatively few remaining supply support items. If these functions were assigned to appropriate DOD activities, the inventory control point would be responsible only for managing war reserves, accounting for principal items, publishing technical information, and budgeting and accounting for operations. Only a third of the inventory control point staff is

currently assigned to these operations.

The original inventory control point relocation plan called for a \$5.8 million expenditure to relocate 1,329 employees and a \$5.2 million expenditure to construct a new facility in Albany, Georgia, to house all of the current inventory control point functions. The proposed elimination of some 157,000 supply support items would cause a reduction in the inventory control point's workload, and further reductions in the inventory control point's operations are feasible.

Therefore, DOD should explore alternatives for accommodating a reduced staff in other existing Government or commercial space. If Albany is the best alternative, then, at a minimum, the current plan to spend \$11 million for a new inventory control point should be scaled down in view of the reduced level of operation.

MATTERS FOR CONSIDERATION BY THE CONGRESS

This report informs the Congress of the greater efficiency and economy in operations that DOD can achieve through maximum use of single managers for certain aspects of the Marine Corps' logistical system. DOD's actions to eliminate those aspects which duplicate systems DOD has developed for providing logistical support to all military services are also presented. The Congress may want to evaluate the adequacy of DOD's actions.

CHAPTER 1

INTRODUCTION

BACKGROUND

The United States Marine Corps, an integral part of the Department of the Navy, serves with the fleet in seizing or defending advanced naval bases and in conducting land operations essential to a naval campaign. The Corps' operating plans are supplementary to the Navy's overall war plans for both its Atlantic and Pacific Fleets.

By law, the Corps' troop strength cannot be more than 400,000. The Corps is currently operating with about 200,000 personnel assigned to 3 active combat divisions, 3 air wings, support organizations, ships, and U.S. embassies throughout the world.

The Corps operates its own central supply and depot-level maintenance system to support its combat forces. This system includes the Marine Corps Supply Activity in Philadelphia, employing 1,563 people, and depot complexes in Albany, Georgia; Barstow, California; Camp LeJeune, North Carolina; and Camp Pendleton, California. The Albany and Barstow depots employ 2,789 people to receive, store, and issue supplies and to overhaul equipment. The depots at LeJeune and Camp Pendleton, employing 228 personnel, are used only for warehousing. Over \$68 million is spent annually to operate the five facilities.

DEPARTMENT OF DEFENSE POLICY

It is Department of Defense (DOD) policy to eliminate duplicate systems and to use common support systems as much as possible. This policy is dictated by present and future resource limitations which demand maximum efficiency, elimination of unnecessary duplication, and common use of systems, facilities, services, functions, and inventories wherever operationally acceptable and economically beneficial.

As a result of standardization and automation of supply support systems, DOD has improved its overall state of combat readiness. The trend toward common support systems began with coordinated procurement and interservice supply support. That was followed by the single-manager concept, which provided for integrated managers to supply the requirements of all military services for assigned commodities. Then, a unified supply and services activity, the Defense Supply Agency (DSA), was established. These developments are making it possible to eliminate long

pipelines, many depots, and large stocks of buffer or prepositioned supplies.

Recently, the Office of the Secretary of Defense screened all consumable (or nonreparable) items not managed by DSA and assigned selected items to each service, including the Corps, for single management. The Office is now designating a task force to do the same thing with the more expensive and complex reparable items.

PRIOR CRITICISM OF THE CORPS' DUPLICATE INVENTORY MANAGEMENT AND OVERHAUL OPERATION

In the past, officials of the Office of the Secretary of Defense have questioned the need for the Corps to continue managing the many items in its supply system that have already been assigned to integrated managers, particularly to DSA. In December 1967, the Secretary of Defense approved Program Budget Decision 410, which proposed eliminating items from the Corps' management which its units could order directly from integrated managers. In a report dated November 10, 1970, we recommended essentially the same thing. We also pointed out in a report dated July 6, 1973, that each military service, including the Corps, was overemphasizing the development of its own maintenance capability rather than trying to use existing facilities of other services. We cited the Corps' overhaul operations as an example.

In response, the Corps eliminated a number of warehouses, allowed integrated managers to provide direct supply support to the Corps' operating forces under certain circumstances, and reduced stock levels for many items in its warehouses. It still continues to operate a wholesale supply and depot maintenance system.

The Corps justifies retaining this system on the basis that it needs it to insure maximum flexibility and capability in carrying out its amphibious warfare duties.

SCOPE OF REVIEW

We examined policies, procedures, and practices related to DOD logistical systems and interviewed Marine Corps officials and operating personnel directly involved in logistical functions. We carried out this assignment primarily at Headquarters Marine Corps, Arlington, Virginia; the Marine Corps Supply Activity, Philadelphia, Pennsylvania; the Marine Corps Supply Center, Albany, Georgia; and Camp Pendleton, California. We also reviewed records maintained by DSA and the Army Materiel Command, Alexandria, Virginia.

CHAPTER 2

DUPLICATE WHOLESAL

SUPPLY AND DEPOT MAINTENANCE ACTIVITIES

The Marine Corps' logistical system has three distinct parts. The first is the management of principal items--weapons, major equipment items, and ammunition. Marine Corps headquarters is responsible for this part. The second part is a wholesale supply system for stocking (1) a buffer level of supply support items over and above the level already maintained by DOD integrated managers for all the military services and (2) items used only by the Corps. The Marine Corps Supply Activity in Philadelphia is the Corps' single inventory control point (ICP) for administering this system. The third part is the system used by the Corps' operating forces to manage supplies obtained either from the ICP or from DOD integrated managers through base supply activities.

HEADQUARTERS' MANAGEMENT OF PRINCIPAL ITEMS

Corps headquarters establishes potential equipment objectives for the Corps. The weapon or major equipment item being considered is processed through a research, development, test, and evaluation phase. For most items, the Corps relies on the development efforts of other military services. When research and development have been completed, headquarters determines the number of items required on the basis of such factors as planned assignments to operating forces and war reserve requirements. Then headquarters begins procuring the item from either commercial sources or, in most cases, through the other military services. Headquarters also manages systems to account for weapons, major equipment items, and ammunition.

MARINE CORPS' CENTRALLY CONTROLLED WHOLESAL SUPPLY SYSTEM

All Corps supply operations are carried out in accordance with DOD standard procedures. The ICP's primary function in the supply operation, which accounts for the largest expenditure of resources, is to compute requirements and control stocks of supply support items for principal items and other items required by the operating forces. The ICP's other major functions are: providing technical information to the operating forces, determining or provisioning the initial range and depth of items to support new principal items, procuring required supply and service items, budgeting and accounting for operations, and managing war reserve materiel. The authorized

personnel, expenditures, and data processing time for each function are listed in appendix I.

The ICP is primarily a stock-funded operation dealing with expendable or consumable items, the cost of which are recovered through charges to the operating forces. Of over 200,000 active items managed by the ICP, only 8,600 are classified as reparable supply support items financed under an appropriation account. Expenditures for these items during fiscal year 1973 amounted to only \$4.9 million.

Supplies obtained from all sources are shipped to the Corps' four warehouse complexes located at the Marine Corps Supply Centers in Albany and Barstow and at Marine Corps bases at Camp Lejeune and Camp Pendleton, where they are held until the operating forces requisition them. Supplies issued are no longer subject to central control. The operating forces' procedures for obtaining supplies vary in peacetime and wartime.

SUPPLY MANAGEMENT IN THE OPERATING FORCES

Force service regiments (FSRs) of the operating forces are responsible for providing supply, maintenance, and service support. The operating forces must order principal items and repair parts from the ICP through the FSRs. However, operating forces in garrison at Marine Corps bases can bypass FSRs by ordering all but principal items and repair parts from base supply activities, which are stock-funded like the ICP. Base supply support includes subsistence, clothing, petroleum products, construction materiel, and ammunition. Although the maximum number of these items managed by any 1 base is only 14,000, these are the items most in demand by the operating forces.

The Corps' base supply activities fill almost all their requirements by ordering directly from integrated managers outside of the Marine Corps. They order less than 7 percent of their items from the Marine Corps' ICP. Further, commodities provided by integrated managers accounted for 73 percent of all Marine Corps stock fund sales, which include sales of base supply activities and the ICP.

Base supply activities must prepare quarterly status reports which show materiel requirements, assets on hand, and deficits. The reports are consolidated by Marine Corps headquarters and included in budgeting submitted to DOD.

In wartime the operating forces are required to order clothing, construction materials, principal items, and repair parts from the ICP through FSRs. As a result, the ICP stocks items which its operating forces obtain directly from integrated managers in peacetime; this increases management duplication of items assigned to other DOD activities.

The Navy is responsible for supplying subsistence, fuel, and ammunition to the Corps' operating forces when they deploy. Marine Corps aircraft are maintained and supplied by the Navy. The Corps also depends on the Navy for all medical supplies and personnel support. The Army and the Navy handle the storage and distribution of ground ammunition.

EXTENT OF DUPLICATION IN THE MARINE CORPS' LOGISTICAL SYSTEM

The Marine Corps' logistical system duplicates several functions carried out by other DOD logistical systems. These include the procurement and provisioning of principal items, management of ammunition and supply support items, and operation of storage and maintenance depots.

Procurement of principal items

Marine Corps headquarters has kept its authority for procuring principal items. It procures an item either by submitting a military interdepartmental purchase request to another military service assigned responsibility for the item or by procuring it directly from commercial sources. Procurement responsibility for an item is not necessarily assigned on the basis of which service uses the item the most. The Navy, for example, procure an amphibious landing vehicle used only by the Marine Corps. Further, the Corps procures some principal items used by other military services directly from commercial sources.

For Marine Corps principal items, procurement responsibility is as follows:

	<u>Number of items</u>	
Common items (note a):		
Procured through other military services	330	
Direct commercial procurements	93	
Procurement responsibility not assigned	<u>26</u>	<u>449</u>
Peculiar items (note b):		
Procured through other military services	87	
Direct commercial procurements	105	
Procurement responsibility not assigned	<u>7</u>	<u>199</u>
Total		<u><u>648</u></u>

^aUsed by the Corps and other military services.

^bUsed only by the Corps.

Provisioning for initial
support of principal items

During the procurement phase, Corps headquarters authorizes the ICP to begin the provisioning process, which includes reviewing the contractor's technical documentation and recommendations on parts and other equipment needed for the initial support of new principal items. The ICP reviews the recommendations in the light of experience obtained during the test period and from past experience with similar equipment. The ICP has a staff of 121 personnel to administer this function. The Defense Logistics Support Center helps by screening the selected items to eliminate those which duplicate or are interchangeable with items already in the military inventory. The ICP is responsible for determining the number of items needed and procuring and storing them until they are issued to the operating forces.

The Corps goes through the provisioning process for those principal items used by another military service even though the process has been performed by that service. For example, during a 3-year period beginning July 1, 1970, the ICP received the authority to provision for 118 principal items. We identified at least 72 which other military services, particularly the Army, used and therefore provisioned.

Management of ammunition

Corps headquarters determines requirements for, distributes, designates where to store, and accounts for ground ammunition. The Corps has a staff of 24 people and a computerized system to do this.

The Corps procures virtually all of its ground ammunition through the Army. The ammunition for its aircraft is provided by the Navy, which also stores most of the Corps' ground ammunition. The Corps' total \$2.1 billion inventory investment for all classes of materiel as of fiscal year 1973 included \$788 million in ammunition and ordnance materiel stored in Navy depots. Another \$45 million worth was stored in Army depots. The Navy also operates an ICP for all conventional ammunition at the Ships Parts Control Center, and its ammunition depots are fully automated for effective ammunition distribution and control.

Management of supply support items

According to Marine Corps records, most of the active ICP-managed items worth, about \$300 million, such as clothing, repair parts, and construction materiel, are managed and supplied by other DOD activities and the General Services Administration (GSA), as illustrated in the following table.

	Number of <u>items</u>	Percentage <u>of total</u>
Managed by Marine Corps	58,499	27
Managed by Marine Corps and:		
DSA	129,383	
Tank Automotive Command	12,102	
GSA	5,952	
Other military services	<u>9,557</u>	
	<u>156,994</u>	<u>73</u>
Total	<u>215,493</u>	<u>100</u>

The ICP spent \$7 million on procuring items from commercial sources during fiscal year 1973. About 95 percent of the procurements cost under \$2,500 each. They involved primarily consumable items, which do not require extensive management because requirements are computed primarily on demand.

DSA, which manages most items, has projected that it will need a \$2 billion inventory to meet the military services' mobilization requirements. The Corps requires only about \$69 million worth of this inventory. DSA's supply system, which had the highest effectiveness rate of any DOD activity for fiscal years 1972 and 1973, has 4 to 5 months stock on hand.

To determine whether DOD activities manage other items that the Corps procures commercially, we reviewed records maintained by the Defense Logistics Services Center. The Center is DOD's agency for identifying and classifying all supply items used by the military services. These records show that the Corps alone manages and uses only 29,340 of the supply support items managed by the Corps' ICP (not 58,499 as reported by the Corps).

The records also indicated that 25,864 of the 29,340 items were consumable supply support items which were included in the DOD program to eliminate duplicate management by two or more services. DOD assigned each item to a particular service for single management responsibility. The Corps was the only registered DOD user on the Center's records for these items. The other services were assigned management responsibility for many more items in comparison to the Corps. For example, the Air Force was assigned 602,000 items, the Army 203,000 and the Navy 493,000. The items retained by the Corps fall into a variety of Federal stock classes.

The remaining 3,476 items managed only by the Corps' ICP are reparable supply support items, which are more difficult to manage because records must be kept on their condition and wearout rates and because periodic overhaul and maintenance must be scheduled. However, DOD is beginning a program to assign reparable items managed by two or more services to a single service for management, as it did for consumable items. This program recognizes that one military service can manage reparable items and do the necessary maintenance work for another service.

Warehousing operations

The Corps maintains four warehouse complexes, at an annual cost of about \$22 million, to receive and store supplies shipped from other DOD and commercial supply sources for reissue to operating forces. About 99 percent of the stock is kept at the Corps' supply centers in Albany and Barstow.

As indicated previously, in peacetime most items, such as subsistence, clothing, petroleum, and construction materials, are shipped directly from integrated managers. Also, other items stocked in the Corps' central supply system are sometimes shipped directly to the operating forces from integrated manager warehouses. For example, in fiscal year 1973 the Corps' ICP sent out 228,772 requisitions to integrated managers. Over 30 percent of these required direct shipment to the operating forces.

When the operating forces deploy from the United States, all supplies controlled by the ICP are routed through the ICP-controlled depots rather than directly from integrated managers to ports of embarkation.

Maintenance

In fiscal year 1973, the Marine Corps' industrial fund expenditure for depot-level maintenance in its two depots was \$13.6 million. In contrast, the Army spent \$377 million for its own requirements and \$29 million for the requirements of other military services.

The Corps develops depot maintenance programs on a 5-year basis because large overhaul operations require long leadtimes to train personnel, position equipment, and obtain repair parts. The Corps has directed its program specifically towards processing equipment in small batches on a job-shop basis. This is necessary because the Corps manages a limited number of reparable assets and lacks large quantities of reparable assets to program on a more efficient assembly-line basis. Depots of other military services, on the other hand, do a great deal of assembly-line maintenance on a limited number of items. For instance, each of the two Marine Corps depots overhauls all types of equipment, which is segregated into four categories. But the Army, because of its larger volume, overhauls specified types of equipment under each category at designated depots. (See app. II.)

It is neither practical nor economical, with limited maintenance operations, for the Corps to acquire expensive test and repair equipment and develop technical skill levels to overhaul every item of equipment it uses. Therefore, the Marine Corps must depend on the other services and commercial firms to repair certain items. For example, the Albany depot cannot overhaul recoil mechanisms for artillery pieces; these items are overhauled at an Army depot. The Army overhauls equipment for Marine Corps operating forces on Okinawa. As for commercial firms, Marine Corps headquarters let contracts totaling \$1.2 million to such firms for the overhaul

of two communication items worth \$11.5 million in fiscal year 1973.

The Corps scheduled limited quantities of 44 principal items and 118 reparable supply support items through its two maintenance depots in fiscal year 1973. For example, at the Albany facility the quantities scheduled exceeded 100 for only 6 principal items. The same held true for reparable supply support items. Support items, however, accounted for only 8 percent of the total costs incurred for maintenance activities at Albany.

We compared principal items overhauled by the Marine Corps and the Army during fiscal year 1973. Besides overhauling the same categories of equipment, the Army overhauled some of the same items as the Marine Corps and, generally, in larger quantities, as illustrated below.

<u>Type of equipment</u>	<u>Quantity overhauled</u>	
	<u>Marine Corps</u>	<u>Army</u>
Howitzer (M101A1)	68	391
Radar chronograph (M-36)	1	10
Radar set (AN/MPQ37)	4	26
Truck (M-543A2)	9	130
Truck (M151A1/A2)	20	4,787
Howitzer (M-110)	1	146
Howitzer (M-109)	15	219
Tank (M48A3)	71	342
Switchboard (SB22)	70	1,088
Switchboard (SB86)	22	51
Radio set (AN/TRC-75)	285	8
Oscilloscope (AN/USM-140C)	4	20
Binocular (M17A1)	100	850
Radiac set (AN/PDR-27Q)	61	102
Rawin set (AN/GMD-1B)	2	9
Howitzer (M114A1)	29	137

Equipment overhaul, one of the main functions of the two Marine Corps maintenance depots, accounted for 61 percent of the fiscal year 1973 expenditures at Albany, as follows:

<u>Function</u>	<u>Percentage of expenditures</u>
Overhauling principal and reparable supply support items	61
Caring for equipment in adjacent supply depots and preparing the equipment for shipment	16
Fabricating items not available in the DOD supply system and installing components in principal items	15
Doing field-level maintenance beyond the capability of the operating forces	6
Giving the operating forces technical assistance	2

CHAPTER 3

EVALUATION OF MARINE CORPS' JUSTIFICATION FOR MAINTAINING A WHOLESALE SUPPLY AND DEPOT MAINTENANCE SYSTEM

The Marine Corps maintains that it needs its wholesale supply and depot maintenance system to effectively and economically support deployed forces. However, as noted in chapter 2, several functions of the system only duplicate those carried out by other DOD activities. Furthermore, the operating forces, as discussed in the following sections, already have substantial logistical capability.

The remaining functions of the Marine Corps' system require limited resources in comparison to those currently spent for logistical operations, and certain aspects of these functions are similar to those of other DOD activities. Moreover, the Corps can designate appropriate internal organizations to manage these functions without disrupting its current activities.

MARINE CORPS' POSITION

The Corps maintains that its centrally controlled supply system allows for (1) redistribution of assets to meet contingencies, (2) identification of potential problem items systemwide, and (3) correction of readiness deficiencies within the operating forces. The supply system also reduces the operating forces' supply and financial management workload.

Depot maintenance facilities are operated to allow for control over and flexibility of workloads. The operating forces can address any equipment problem and repair requirement to these facilities, and the service is better and faster than would be provided if the operating forces had to depend on other military services.

OPERATING FORCES' LOGISTICAL CAPABILITY

The Corps' operating forces have separate logistical organizations responsible for providing supply and maintenance support and access to supplies which can be used in case of an emergency. The operating forces must budget and account for funds and submit reports on their combat readiness.

Force service regiments

An FSR is a versatile, multifaceted combat service support organization responsible for sustaining a Marine Corps amphibious force consisting of a division, wing, and other force troops. The FSR comprises three battalions with widely diversified responsibilities.

- The headquarters and service battalion provides the motor transport, communications, engineering support, and personnel necessary to insure complete logistic support of units.
- The supply battalion procures, controls, and issues various classes of supplies required by supported units.
- The maintenance battalion performs third- and fourth-echelon maintenance (maintenance beyond the capability of using units and below that of a maintenance depot) on vehicles and equipment of supported units.

The FSR at Camp Pendleton has a total authorized strength of 2,026 military personnel, uses over a million square feet of storage space, and occupies several repair facilities. The authorized strength of the supply battalion, 845 personnel, is much greater than that of the base supply activity, which has only 288 military and civilian personnel and handles most of the 1st Marine Division's peacetime supply requirements. Further, the supply battalion's \$6 million expenditure for fiscal year 1973 operations was more than the total \$3.8 million spent by both the base supply activity and the ICP-controlled warehouse at Camp Pendleton.

Automated supply management systems

An automated logistical system called the supported activities supply system is being implemented in the operating forces. This system will give FSRs of the three active Marine Corps amphibious forces the capability to compute supply requirements and control inventories for the units supported. The system determines, on the basis of transaction reports, the line items and quantities each unit should stock; automatically directs the assignment of supplies to the units; and redistributes supplies among the operating forces when necessary.

FSRs' requests for supplies are electronically transmitted through a DOD automatic addressing system which directs the requests to the Marine Corps ICP. All DOD operating forces use the same automatic addressing system, which can direct supply requests to the appropriate integrated inventory manager within DOD's supply system. However, deployed operating forces are also automatically given a predetermined range of supplies from war reserve stocks for a 5-month period. The need to requisition supplies over and above those automatically furnished should be limited.

Maintenance capability

An FSR's maintenance battalion is responsible for repairing most types of equipment, except aircraft electronic equipment, used by the operating forces which it supports. The battalion generally does third- and fourth- echelon maintenance. The 5 specialized repair companies of the maintenance battalion stationed at Camp Pendleton have an authorized strength of 667 military personnel. In calendar year 1973, they repaired about 16,000 major and secondary items.

Some equipment, of the type normally repaired by the maintenance battalions, has to be programed in the Marine Corps maintenance depots. At the Albany maintenance depot, such work, referred to as overflow, accounted for 6 percent of the operating costs during fiscal year 1973. Overflow repair work is caused by surges in maintenance requirements due to training exercises and the lack of personnel and supporting materiel in the maintenance battalions.

Range of supplies available to operating forces

Operating forces have access to supplies besides those in the centrally controlled supply system. Battalions of a division maintain a 30-day operating stock level; FSRs are authorized a 30-day operating level and a 30-day safety level of repair parts; and base supply activities are authorized a total 60-day level of other commodities. In addition, the operating forces are issued a 30-day "mount out" stock, which is a prepositioned and protected supply for use in case of deployment. Thus, the Corps' operating forces have access to a 4-month supply which can be used in case of an emergency.

Budget and accounting capability

Divisions and wings of the operating forces must budget and account for funds. Part of the funds are set aside to procure materiel from stock funds of the ICP and base supply activities. Budget requests are based on field budget guidance from Corps headquarters, instructions from intermediate command levels, and usage data on individual items. The field budget guidance includes operating plans, training programs, and the issue of new items. To account for their funds, the divisions and wings summarize all transactions in a general ledger and prepare a series of budget status reports every month, which include details down to the expense element level for each cost account.

Divisions and wings must obligate funds, verify billings, and record expenses for supplies requisitioned from the ICP and base supply activities. These procedures are similar to those followed by the ICP for supplies procured from integrated managers. Thus, budgeting and accounting in the operating forces would not become more difficult or complex by a reduction in the role of the centrally controlled logistical system.

Readiness reporting

The Marine Corps' operating forces, as well as those of other military services, must report changes in training, personnel, and logistics which affect combat readiness. Corps headquarters also requires operating forces to include status information of unique interest to the Corps. With this data, Corps headquarters can identify deficiency trends and specific items causing equipment to be inoperable and expedite integrated managers' supply of such items. The operating forces do not need a centrally controlled supply system to report this information.

Also, integrated managers responsible for providing DOD-wide supply support are in a position to determine the full extent of materiel problems and their impact on the entire DOD logistics position.

OTHER CENTRALLY MANAGED MARINE CORPS LOGISTICAL FUNCTIONS

The remaining centrally managed functions of the Marine Corps' logistical system involve managing war reserves, accounting for weapons and major equipment items, publishing technical information, and budgeting and accounting for operations. The resources the ICP spent for these functions

are shown in appendix I. The storage of war reserve materiel and some of the technical information processes are operations similar to those carried out by other DOD activities which could assume the Corps' workload. As previously noted, Corps headquarters, which has overall responsibility for finances, manages funding requirements of the operating forces and base supply activities.

War reserves

The Marine Corps' war reserve requirements for major items are based on operating plans. The range and depth of supplies required to support major items are based on the operating forces' past use of the equipment, which should be centrally monitored. Managing war reserves requires determining the range and depth of equipment and supplies, procuring and storing the materiel, and preparing documentation so that items can be issued to the operating forces in case of war. Corps headquarters has overall responsibility for the range and depth of war reserve materiel and for authorizing its release.

About 48,000 items of equipment and supplies are included in war reserves, which represent about 16 percent, or \$162 million, of the \$1 billion inventory stored in the Corps' depot complexes. The ICP had an authorized staff of 38 personnel and used 1 percent of its computer processing time for managing war reserves.

Under the present system, the operating forces hold a 30-day supply of war reserve materiel, referred to as "mount out," which is prepositioned for ready access and protected from being issued for other purposes. The remaining war reserve materiel is part of the centrally controlled supply system which is protected from issue but not segregated from wholesale supply stocks. Over 95 percent of the war reserve items are low-cost, nonreparable items that are expensed when issued. These items are common to many military depots. The materiel is primarily stored in Marine Corps depots at Barstow and Albany.

When an emergency occurs, the ICP issues predetermined orders for issuing materiel to either deployed operating forces or reserve units reporting to assigned stations at Marine Corps bases. About a third of the predetermined orders for outfitting the reserve amphibious force are released to integrated managers and commercial sources at the time of mobilization.

Accounting for weapons and major equipment items

Besides requiring the readiness reports previously noted, DOD requires that each military service keep status records on principal items and certain supply support items. The records provide a basis for determining equipment needs, validating requests for equipment items, and preparing financial data or equipment requirements.

The Marine Corps needs these records on principal items because the requirements for such items relate to the structure of the operating forces. Initial requirements are primarily established for the operating forces' equipment authorizations and for war reserves. Subsequent requirements are affected by plans to activate units and phase equipment out of the system and by maintenance requirements.

Corps headquarters has a staff of 107 personnel responsible for developing, acquiring, and managing principal items. It operates a computer system to manage these items on the basis of data prepared by the ICP. The ICP, with an authorized staff of 41 people, keeps the required records, which are based on equipment status reports submitted by the operating forces.

Technical information

Marine Corps operating forces need certain technical information to operate and maintain their assigned equipment. This information is either in the form of technical publications, which include manuals and instructions on specific equipment items, or stock lists, which provide identification information on individual items in the supply system. Although most of the information is available in technical publications and stock lists of other military services, the Marine Corps has to consolidate and publish just the information needed by its operating forces.

Some of the ICP's technical support relates to provisioning and managing supply support items, including establishing new item identifications, providing engineering support for procurement, and supporting DOD's standardization program. The ICP had an authorized staff of 296 personnel and used 10 percent of the computer processing time for technical information.

CHAPTER 4

CONCLUSIONS, RECOMMENDATIONS, AGENCY ACTIONS, AND OUR EVALUATION

DOD's systems and techniques for bringing about greater interservice support are well developed and can meet the Corps' supply and maintenance requirements. As discussed in the following sections, the Corps no longer needs its central supply and depot maintenance system to support its operating forces.

DOD's interservice support capability should be used as much as possible to achieve maximum efficiency and effectiveness. Any experience or coordination that the Corps considers necessary could be obtained by assigning Corps personnel to DOD interservice support activities. The Corps' requirements should also be assigned the appropriate priority so DOD activities can respond to the Corps' special readiness requirement.

Some savings from greater reliance on other logistical systems would be immediate. The investment in the inventory of supply support items could be reduced by about \$300 million. A large part of the approximately \$22 million annual expenditure for operating storage depots could be reduced. Although some added costs would be incurred by those DOD activities assuming the ICP's duties, the ICP's annual operating costs for supply operations, provisioning, and procurement, totaling about \$6 million, would be eliminated. Eliminating these duties would also cause a reduction in ICP expenditures for technical information, budgeting and accounting, data processing, and support services, which total about \$16 million annually. Further, there would be an opportunity to reduce the \$11 million requested to relocate the ICP from Philadelphia to Albany.

Long-run savings would include those from eliminating additional transportation costs required to maintain a buffer stock of supplies and costs related to low-volume, job-shop overhaul operations. Other savings naturally would accrue from using DOD common facilities more effectively and efficiently.

PRINCIPAL ITEMS

All Marine Corps principal items could be procured through other military services because these other services already procure most of the items, including those common to the services and peculiar to the Marine Corps. This would eliminate the need for Marine Corps headquarters to solicit

and select procurement bids from other sources and engage in other aspects of contract administration.

The military service that procures a principal item for the Marine Corps could also provision the item because each military service has the capability to do this. Further, the other military services have already provisioned most of the items used by the Corps. This would eliminate one of the ICP's major functions.

SUPPLY SUPPORT ITEMS

Integrated managers of other DOD activities could manage all supply support items and direct supply support of the operating forces. The limited number of items--about 29,000 (see p. 8) managed only by the Marine Corps cover a wide range of Federal stock classes, and their management would not represent a sizable workload for any one integrated manager. The integrated managers' inventory levels are adequate to meet the operating forces' requirements, and integrated managers can redistribute assets and respond to emergency situations. The operating forces are being provided with an automated system for managing supplies, and they can address their requirements to the appropriate DOD supply source. While the forces are in garrison, their requirements could be met through base supply activities; when the forces are deployed, items required over and above those automatically provided from war reserves could be shipped from the integrated managers' depots to ports of embarkation.

If integrated managers provided management and direct support, the primary function of the Corps' ICP and the operating stock level of supply support items in the depot complexes would be eliminated. Providing direct support would also avoid additional materiel handling and transportation costs incurred under the present system.

AMMUNITION

Ammunition should be more centrally managed by DOD because the Marine Corps depends on both the Army and the Navy to meet its requirements. Central management would allow for the consolidation of logistical functions carried out by each military service for ammunition and would reduce management by Marine Corps headquarters.

DEPOT MAINTENANCE OPERATIONS

Other military services could overhaul equipment and meet other project requirements for the Corps. Since long leadtimes are needed to program equipment overhauling,

overhaul requirements could be phased into the maintenance programs of other services. Any special equipment and technical skills needed for equipment used only by the Marine Corps could be established in selected depots of the other services.

Maintaining equipment in storage and preparing it for shipment are warehouse operations that other DOD depots could do. The need to perform field-level maintenance as part of depot maintenance operations during peacetime indicates that the maintenance capability of the operating forces should be improved. If the operating forces require depot maintenance experience to develop the capability to apply the technical information provided to them, Marine Corps personnel could be assigned to maintenance depots of the other services.

If other military services carried out depot maintenance operations, two Marine Corps depots would be eliminated and equipment could be overhauled on a more efficient assembly-line basis.

The remaining logistical functions do not require a central supply and depot maintenance system, and the scope of some could be reduced. Other DOD activities could store war reserve materiel. The Marine Corps could address materiel release orders to the appropriate storage sites, using the same procedure it used to issue materiel stored in its own depots. Further, prepositioning, rather than merely protecting the materiel from issue, would make withdrawal easier. This would eliminate the need for Marine Corps storage operations in two depots.

The Marine Corps' ICP would not have to provide as much technical information if other DOD activities provisioned for principal items and managed supply support items. Such management of supply support items would also reduce the ICP's budgeting and accounting operations. Marine Corps headquarters would still fund the operating forces and base supply activities.

RECOMMENDATIONS

GAO recommends that the Secretary of Defense require that:

- All principal items required by Marine Corps operating forces be procured and provisioned by the military services which use the items the most, to reduce duplication in the contract administration function

of Marine Corps headquarters and eliminate the Corps' ICP's provisioning function.

- The operating forces receive supply support from integrated managers of other DOD supply activities and GSA, to eliminate the inventory control function of the Corps' ICP and the supply support storage function of its four depots.
- Ammunition be subject to DOD-wide management, to reduce Corps headquarters' ammunition management function.
- Equipment be overhauled by the cognizant military service, to eliminate the small overhaul function of the Corps' two maintenance depots.
- War reserve materiel be stored by appropriate DOD activities, to eliminate the need for the Corps to operate two storage depots.

Since these recommendations would substantially reduce logistical functions requiring central management, we also recommend that the Secretary of Defense reconsider the need for the Marine Corps to spend \$11 million for a new ICP in Albany, Georgia.

AGENCY ACTIONS

We discussed our findings and observations with DOD and the services as the review progressed. As a result, DOD was able to take certain actions, as indicated in its letter of September 27, 1974. (See app. III.) These actions prompted the Marine Corps' proposal to:

- Eliminate supply support items managed by integrated managers.
- Eliminate two of the four storage depots.
- Emphasize direct support of operating forces by integrated managers.

These actions, according to DOD, will diminish the Marine Corps' involvement in supply management and storage along lines we recommended. However, the planned changes will not affect the relocation of the ICP from Philadelphia to Albany because new office space will still be needed at Albany for certain supply management functions.

Regarding the overhaul of equipment, DOD said that a DOD-wide study of the potential for further interservicing

of depot maintenance had been underway for several months. DOD added that it would tell us about decisions made on the further interservicing of Marine Corps' depot maintenance on the basis of this study.

DOD also said that it had begun a review of the potential for further centralization of ammunition management before it received our report and that it would advise us of its decision regarding the Marine Corps' further reliance upon other military services for the supply of ammunition.

OUR EVALUATION OF AGENCY ACTIONS

DOD's action in eliminating the Marine Corps' management of integrated manager items and in permitting direct support to using units should substantially reduce the duplicate function of the Corps' ICP. DOD's studies of consolidating depot maintenance and ammunition management also should further reduce the Corps' logistical system because other military services have more extensive capabilities.

DOD may want to further consider the need for the Corps to procure and provision principal items and to manage the relatively few remaining supply support items. If these functions were assigned to appropriate DOD activities, the ICP would be responsible only for managing war reserves, accounting for principal items, publishing technical information, and budgeting and accounting for operations. Only a third of the ICP staff is currently assigned to these operations.

The original ICP relocation plan called for a \$5.8 million expenditure to relocate 1,329 employees and a \$5.2 million expenditure to construct a new facility in Albany to house all of the current ICP functions. The proposed elimination of some 157,000 supply support items would cause a reduction in the ICP's workload, and further reductions in ICP operations are feasible.

Therefore, DOD should explore alternatives for accommodating a reduced staff in other existing Government or commercial space. If Albany is the best alternative, then, at a minimum, the current plan to spend \$11 million for a new ICP should be scaled down in view of the reduced level of operation.

APPENDIX I

Personnel, Expenditures, and Computer Processing Time
for Principal Functions of the Marine Corps' ICP

Function	Authorized personnel as of June 25, 1973		Expenditures for FY 1973		Computer processing times in the third quarter of FY 1974	
	Number	Percent	Amount	Percent	Hours	Percent
			(000 omitted)			
Computing supply requirements and controlling warehouse stocks	287	18	\$3,780	16	2,958	38
Controlling principal item inventory	41	3	625	3	97	1
Providing technical information to the operating forces	219	14	2,996	13	780	10
Identifying new items	81	5	1,046	5	(a)	
Budgeting and accounting	144	9	3,647	16	517	7
Provisioning for new principal items	121	8	1,744	8	334	4
Procuring supply and service requirements	68	4	787	3	95	1
Maintaining war reserve files	38	3	386	2	88	1
Data processing (computer processing time for general management information, other logistical functions, and special programs)	198	13	2,362	10	373	5
Administrative, maintenance, and other supporting services (computer processing time for testing programs, payroll vouchers, and miscellaneous)	<u>366</u>	<u>23</u>	<u>5,452</u>	<u>24</u>	<u>2,585</u>	<u>33</u>
Total	<u>1,563</u>	<u>100</u>	<u>\$22,825</u>	<u>100</u>	<u>7,827</u>	<u>100</u>

^aNot available.

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APPENDIX II

Army Maintenance Depots for Overhauling
Equipment by Designated Marine Corps Categories

Equipment category-- example items	Lexington-Blue Grass Army Depot, Ky.	Tobyhanna Army Depot, Pa.	Tooele Army Depot, Utah	Anniston Army Depot, Ala.	Letterkenny Army Depot, Pa.	Red River Army Depot, Tex.	Pueblo Army Depot, Colo.
Communication:							
Switchboard (SB-86)	X						
Rawin set (AN/GMD-1B)		X					
Radio set (AN/TRC-80)		X					
Construction:							
Earth moving scrapers (all models)			X				
Motorized road graders (all models)			X				
15-ton dump truck (all models)			X				
Ordnance							
Tank (M48A3)				X			
Tank engine (1790-2A(D))					X		
Howitzer (M109)					X		
Missiles							
Chaparral						X	
Honest John						X	
Hawk							X

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INSTALLATIONS AND LOGISTICS

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

27 SEP 1974

Mr. Fred J. Shafer
Director
Logistics and Communications Division
General Accounting Office
Washington, D.C. 20548

Dear Mr. Shafer:

This is in reply to your letter of July 16, 1974 to the Secretary of Defense requesting Department of Defense (DoD) comments on General Accounting Office (GAO) Draft Report, "Logistical Support of Marine Corps Operating Forces Could be Furnished by Other Department of Defense Activities" (OSD Case #3879).

The Draft Report recommends greater reliance by the Marine Corps upon other DoD Components for central supply management and depot maintenance, and also recommends that management of ammunition be further centralized on a DoD-wide basis.

We have reviewed Marine Corps supply management, and, based upon directions from this Office prior to receipt of the GAO draft report, the Marine Corps has proposed revisions to its supply system to:

- a. Eliminate centrally managed retail stocks of integrated managed items for general support;
- b. Eliminate Remote Storage Activities at Camp LeJeune, North Carolina and Camp Pendleton, California; and
- c. Emphasize support direct from integrated managers to users, among other changes. These changes will be monitored by this office to assure conformance with the objectives of the DoD Logistics Plan. The above actions will diminish Marine Corps involvement in supply management and storage along lines recommended in the draft report.

With regard to the move of the Marine Corps Inventory Control Point from Philadelphia, Pennsylvania to Albany, Georgia, even with the planned changes there will still be a need to house certain supply management functions in the new office space at Albany.

APPENDIX III

A DoD-wide study regarding the potential for further interservicing of depot maintenance has been underway for several months. This study covers a wide range of commodities, including vehicles, missiles, electronics, and aeronautical materiel. We will advise you of determinations made as to any further interservicing of Marine Corps depot maintenance based upon this study.

A review of further potential centralization of the management of ammunition for all Military Services was initiated by this Office on June 4, 1974, prior to receipt of your Draft Report. We will consider the results of this review in connection with the recommendation in your Final Report (B-176139), "Effective Control Could Improve DoD's Ammunition Logistics," dated December 6, 1973 (OSD Case #3588). You will be advised of our decision regarding any further reliance by the Marine Corps upon other Military Services for the supply of ammunition.

The efforts undertaken by the GAO in this area and the opportunity to comment on the report in draft form are appreciated.

Sincerely,



ARTHUR I. MENDOLIA
Assistant Secretary of Defense
(Installations & Logistics)

PRINCIPAL OFFICIALS
RESPONSIBLE FOR MATTERS
DISCUSSED IN THIS REPORT

		<u>Tenure of office</u>	
		<u>From</u>	<u>To</u>
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SECRETARY OF DEFENSE:			
James R. Schlesinger	June	1973	Present
William P. Clements, Jr. (acting)	Apr.	1973	June 1973
Elliot L. Richardson	Jan.	1973	Apr. 1973
Melvin R. Laird	Jan.	1969	Jan. 1973
Clark M. Clifford	Mar.	1968	Jan. 1969
ASSISTANT SECRETARY OF DEFENSE (INSTALLATIONS AND LOGISTICS):			
Arthur T. Mendolia	Apr.	1973	Present
Hugh McCullough (acting)	Jan.	1973	Apr. 1973
Barry J. Shillito	Feb.	1969	Jan. 1973
DIRECTOR, DEFENSE SUPPLY AGENCY:			
Lt. General Wallace H. Robinson, Jr.	July	1971	Present
Lt. General East C. Hedlund	July	1967	June 1971
<u>DEPARTMENT OF THE NAVY</u>			
SECRETARY OF THE NAVY:			
J. William Middendorf II	May	1974	Present
John W. Warner	May	1972	Apr. 1974
John H. Chafee	Jan.	1969	Apr. 1972
ASSISTANT SECRETARY OF THE NAVY (INSTALLATIONS AND LOGISTICS):			
Jack L. Bowers	June	1973	Present
Charles L. Ill	July	1971	May 1973
Frank Sanders	Feb.	1969	June 1971
Barry J. Shillito	Apr.	1968	Jan. 1969

APPENDIX IV

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
COMMANDANT OF THE MARINE CORPS:		
General Robert E. Cushman, Jr.	Jan. 1972	Present
General Leonard L. Chapman, Jr.	Jan. 1968	Dec. 1971

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