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*REPORT TO THE COMMITTEE 097081
ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES*



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Information On
Commissary Store Operations

Department of Defense

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

FPCD-75-132

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MARCH 19, 1975



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

B-146875

RC
The Honorable George H. Mahon
Chairman, Committee on Appropriations H 00300
House of Representatives

Dear Mr. Chairman:

This report concerns the military departments' operations of commissary stores worldwide. We made this study in response to your May 3, 1974, request that we examine the management and effectiveness of commissary programs in such areas as extended operating hours, the need for commissaries in metropolitan areas, staffing patterns, the need for military personnel, pricing practices, the use of excess revenues, commissary store subsidies, and the need for new stores opened.

Much of the statistical data presented was provided by the respective services. The funding information is not all inclusive because the services' accounting systems do not segregate all support costs associated with commissary operations.

As you requested, formal comments were not obtained from the Department of Defense (DOD), but the contents of the report were discussed with DOD officials and their comments are reflected in the report. The report will be released to you and to DOD concurrently, also as you requested.

We do not plan to distribute this report further unless you agree or publicly announce its contents.

Sincerely yours,

A handwritten signature in cursive script that reads "Thomas P. Staats".

Comptroller General
of the United States

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ABBREVIATIONS

GAO	General Accounting Office
DOD	Department of Defense
NAVRESO	Navy Resale System Office
DPSC	Defense Personnel Support Center
OSD	Office of the Secretary of Defense
DSA	Defense Supply Agency

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COMPTROLLER GENERAL'S REPORT
TO THE COMMITTEE
ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES

INFORMATION ON
COMMISSARY STORE OPERATIONS
Department of Defense

D I G E S T

WHY THE REVIEW WAS MADE

The Committee asked GAO to review commissary operations in the Department of Defense (DOD).

Appropriations for commissary operations were increased substantially since the advent of the all-volunteer force, and the Committee was concerned whether the additional expense was effective and whether the stores were efficiently managed. (See app. IV.)

GAO used judgment sampling to select the commissaries visited and did not verify all statistics obtained from official reports or provided by the military services.

FINDINGS AND CONCLUSIONS

Commissary resale stores were established at Army frontier posts in the 1800s to provide food and other items at cost to servicemen. The Marine Corps opened its first commissary in 1909, the Navy's opened in 1910, and the Air Force's opened in 1947.

2 The Defense Personnel Support Center, through its brand name contracts, 847

regional supply offices, and depot stocks, is the primary supplier of merchandise for the commissaries.

Because of congressional concern over the growing number of commissaries, DOD, in 1949, specified that commissaries would not be authorized where adequate commercial facilities, conveniently available, were selling merchandise at reasonable prices. Since 1953, the Congress has required the Secretary of Defense to certify each year to the need for commissaries.

Appropriated operation and maintenance funds for commissaries have increased from \$135.3 million in 1970 to \$226.9 million in 1974.

Much of the increase was used to induce military reenlistments by extending commissary operating hours; increasing merchandise lines; and renovating, expanding, or replacing stores.

Staffing for the commissary programs, both military and civilian, increased from 20,600 in fiscal year 1970 to 26,700 in 1974.

Sales increased from \$1.7 billion in fiscal year 1970 to \$2.5 billion in 1974.

As of July 1974, DOD operated

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418 commissaries worldwide--
279 in the United States
and 139 overseas. (See
pp. 2, 3, and 9.)

Organization and management of the commissary program

DOD has allowed each service
to establish the organiza-
tional structure which it
considers best adapted to
its requirements.

Consequently, duplication of
management functions has
occurred within the Air Force
and Army and among all the
services. (See ch. 2.)

Impact of extended hours on the all-volunteer forces program

The Army extended hours of
operation of some commissaries
in 1971 to improve the sol-
dier's and his family's stand-
ard of living and influence
Army career attractiveness.
The Navy extended hours of
selected stores in 1970, the
Air Force in 1971, and the
Marine Corps in 1972.

The extension of hours has
not appreciably affected de-
cisions by individuals to en-
list or reenlist.

GAO interviewed 2,406 people
at 24 installations. At least
90 percent stated that ex-
tended hours did not affect
either decision.

Although the services have
studied the impact of the
commissary benefit on recruit-
ment and retention, none of
these studies specifically

covered the impact of extended
hours. (See ch. 3.)

Staffing and need for military persons in commissaries

Staffing patterns in the com-
missaries vary among the serv-
ices. They use different fac-
tors to compute staffing needs.
The Navy uses more military
personnel. Selected Air Force,
Marine Corps, and Navy com-
missaries GAO visited were
staffed below authorized levels.
Army commissaries exceeded au-
thorizations because temporary
help was used.

Although military people are
used and their responsibilities
relate to their military spe-
cialties, they are not necessary
to manage and operate commis-
saries. DOD policy is to use
civilians.

Since military personnel are
not needed to operate commis-
saries, a commissary career
field is not needed. (See
ch. 4.)

Merchandise pricing

By law, Army and Air Force
commissaries must sell mer-
chandise at cost, but they
are allowed to add a surcharge
of about 3 percent to obtain
revenues needed to pay cer-
tain operating expenses.

DOD policy requires Navy
and Marine Corps commissaries
to sell at the lowest practical
price, but they may mark up
merchandise to cover certain
expenses.

On the average, the Navy's markup is 6 percent and the Marine Corps' is 4 to 5 percent.

The services differ with respect to the percent of surcharge and markup, the methods for adjusting shelf prices, and how fractions are rounded. But, at the commissaries visited, the criteria prescribed by the respective services were being followed. (See ch. 5.)

Funding

The commissary program is financed from appropriated funds, revolving stock funds, and commissary revenues.

By law and DOD policy, commissaries should be self-sustaining with respect to the cost of purchase (including commercial transportation) and maintenance of operating equipment and supplies; utilities; and inventory shrinkage, spoilage, and pilferage. The cost of utilities and transportation outside the United States is excluded for overseas commissaries.

Expenses charged to commissaries are offset against sales receipts and surcharges collected, thereby insuring proper payment of such expenses.

Although complete figures were not provided by the Army, Air Force, and the Defense Supply Agency for

all years, the services and the Agency estimated that \$218.7 million in appropriated funds were used to support commissaries in fiscal year 1972, \$251.9 million in 1973, and \$275.6 million in 1974; \$270.6 million was projected for 1975.

Substantial expenses required to be paid from commissary revenues were paid instead from appropriated and revolving stock funds, although the Navy pays more of its operating expenses from revenues than do the other services.

The services had a balance on hand of \$17.5 million in excess commissary revenues as of June 30, 1974. They use excess revenues to purchase or replace equipment, improve facilities, and construct new facilities. (See ch. 6.)

Need for commissaries in metropolitan areas

Commissaries are not necessary in large metropolitan areas, such as Washington, D.C.; San Antonio, Texas; San Francisco, California; Honolulu, Hawaii; Norfolk, Virginia; and San Diego, California, because there are enough commercial food stores within a 3- to 5-mile radius that sell at competitive prices.

The services have justified the continued operation of commissaries on the basis of unreasonable commercial prices, inconvenience of

commercial stores, and inadequacy of commercial facilities and merchandise lines.

GAO reported to the Joint Economic Committee in 1964 (B-146875) that DOD's criteria distorted the generally accepted understanding of what are reasonable prices and distances. The criteria have not changed and the services continue to operate commissaries where commercial stores are available. (See ch. 7.)

New commissaries opened

The Army, Navy, and Marine Corps opened two new stores overseas and three in the United States during fiscal years 1972-74. The Army will open one in the United States during 1975. The Air Force

did not open any new stores during the period.

New facilities were constructed for two of the new commissaries, and existing buildings were converted for the other four. The six commissaries cost \$1.8 million--\$0.3 million from appropriated funds and \$1.5 million from commissary revenues.

The San Diego, California, and Rock Island, Illinois, commissaries did not appear to be needed.

In 1973 the services had identified construction needs estimated at \$287.5 million. On the basis of 1974 commissary sales, a surcharge increase of 2 percent would pay for the projects in less than 6 years. A 3-percent increase would reduce the time to less than 4 years. (See ch. 8.)

CHAPTER 1

INTRODUCTION

At the request of the Chairman of the House Appropriations Committee, we have reviewed commissary store operations in the Department of Defense (DOD). The Committee was concerned about the effectiveness of the recent increase in funds appropriated to support commissaries and whether commissaries were effectively managed. We looked into:

- The organization and management of the commissary program in each service.
- The impact that extended commissary operating hours had on the effectiveness of the all-volunteer forces program.
- Staffing at various sized stores, including whether military persons are needed to operate commissaries, whether civilians can effectively operate commissaries, and whether there should be a commissary career field for military persons.
- Merchandise pricing.
- Funding, including use of appropriated funds, payment of required expenses from commissary revenues, and use made of excess commissary revenue.
- The need for commissaries in metropolitan areas.
- New commissaries that were opened, major new construction, and renovations.

SCOPE OF REVIEW

We worked at the Office of the Secretary of Defense (OSD), the Departments of the Army and the Air Force and Marine Corps Headquarters in the Washington, D.C., area; the Navy Resale System Office (NAVRESO), Brooklyn; the Defense Personnel Support Center (DPSC), Philadelphia; and 29 commissaries-- 20 at U.S. installations, 4 in the Far East, 4 in Europe, and 1 in the Panama Canal Zone (app. I.) We used judgment sampling to select the commissaries. Also we visited or contacted major military commands or subactivities of the Army, Navy, and Air Force and interviewed 2,400 persons authorized to shop in commissaries. We did not verify statistical and financial data obtained from official records or provided by service or DOD representatives.

BACKGROUND

The Congress authorized commissaries at isolated stations for servicemen who did not have the benefit of shopping in metropolitan areas.

The Army established the first commissaries at frontier posts in the 1800s and sold food and other items at cost to the serviceman. The Marine Corps began operating its first commissary in 1909. The 1909 Naval Appropriations Act created the forerunner of the modern Navy commissary program. The Navy opened the first store under this act in 1910 at the Washington Navy Yard. With the establishment of the Air Force as a separate military service in 1947, the Air Force began operating its own commissaries.

Merchandise sold in commissaries is obtained from several sources. DPSC, although not involved in managing the services' commissary programs, is the primary supplier. DPSC contracts with manufacturers and distributors for brand name items, and individual stores may place delivery orders against them. DPSC also provides regional supply sources of perishables, such as meat and produce, which the commissaries may requisition. Additionally commissaries may requisition, for resale, non-perishable items which are stocked at Defense Supply Agency (DSA) depots primarily for troop consumption.

Also commissaries locally purchase meat, produce, dairy products, and brand name items not under DPSC contract. Certain household items may be purchased from the National Industries for the Blind and through Federal Supply Schedule contracts.

CONGRESSIONAL CONCERN OVER GROWTH OF COMMISSARIES

By 1948 the services operated 210 commissaries at installations in the United States. Concerned about the growing number of commissaries, the House Committee on Armed Services, in 1949, looked into the need for their continued operation. The Committee Chairman concluded that the Congress originally intended the services to operate commissaries only in remote areas where the serviceman did not have the benefit of metropolitan sales.

Because of the Committee's interest, DOD specified in its Armed Services Commissary Regulation that commissaries will not be authorized where adequate commercial facilities are conveniently available and sell commissary merchandise at reasonable prices. Each year since 1953, the Congress has required the Secretary of Defense to certify the continued need

for each commissary. This certification has been on the basis that commercial stores either were not adequate, were not convenient, or did not sell food at reasonable prices.

Despite the congressional concern and the reemphasis of the original purpose of commissaries, no commissaries have failed to meet the DOD criteria. In fact, the number in the United States increased to 279 by 1974.

We reported to the Joint Economic Committee in 1964 (B-146875) that the DOD criteria were unrealistic and did not meet the intent of the Congress. Nevertheless, DOD continues to use them.

By 1974 the services operated 418 commissaries world-wide with sales totaling \$2,511.2 million, as follows:

<u>Service</u>	<u>Number of stores</u>		<u>Total</u>	<u>Total sales</u> (millions)
	<u>United States</u>	<u>Overseas</u>		
Army	72	72	144	\$ 910.9
Navy	66	29	95	a/455.4
Air Force	130	37	167	1,065.0
Marine Corps	<u>11</u>	<u>1</u>	<u>12</u>	<u>79.9</u>
Total	<u>279</u>	<u>139</u>	<u>418</u>	<u>\$2,511.2</u>

a/ Approximate equivalent sales. Reported sales were adjusted to eliminate an average 6-percent markup.

INCREASED APPROPRIATED FUND
SUPPORT FOR COMMISSARIES

With the advent of the all-volunteer forces program, the services began upgrading commissary services to induce military enlistments and reenlistments. Operating hours were extended; merchandise lines were increased; and some existing stores were renovated, expanded, or replaced.

Since 1970 increasing amounts of appropriated funds have been used to support commissaries. According to the House Appropriations Committee report on the 1975 DOD appropriations bill and the related hearings, the following amounts of appropriated funds have been or may be used to support commissaries.

Appropriated Fund Support
To Commissaries

<u>FY</u>	<u>Funds</u>		
	<u>Operation and maintenance</u>	<u>Military personnel</u>	<u>Military construction</u>
	(millions)		
1970	135.3	(a)	(a)
1971	159.0	(a)	(a)
1972	192.1	(a)	(a)
1973	225.3	20.3	17.9
1974			
(estimate)	226.9	21.9	18.6
1975			
(estimate)	231.6	22.1	11.0

a/ These amounts were not provided.

Much of the increase in funds was used to hire additional people to work during the extended operating hours and to handle expected significant sales increases. The number of employees, including both military and civilian, increased from 20,600 in 1970 to 26,700 in 1974. Worldwide sales increased from \$1.7 billion in 1970 to over \$2.5 billion in 1974.

CHAPTER 2

ORGANIZATION AND MANAGEMENT

OF THE COMMISSARY PROGRAMS

OSD establishes policy pertaining to commissary operations and coordinates the policy within DOD and among other interested Government agencies. In addition, OSD certifies the need for continued operation of individual commissaries on the basis of the services' recommendations. However, OSD has allowed each service to establish its own organizational structure for managing and operating commissaries, and they have established distinctly different structures. Consequently, duplicative and inconsistent management and operational functions are performed within the Army and Air Force and among all the services.

ARMY AND AIR FORCE

The Army and Air Force Headquarters each provide overall policies and procedures for managing and operating its commissaries. Major commands, such as the Training and Doctrine Command in the Army and the Tactical Air Command in the Air Force, insure that the broad policies are implemented and the prescribed procedures are followed.

The major commands exercise supervision over their commissaries through such means as store visits; reviews of store operating reports; reviews, adjustments, and approval of annual budget requests; allocations of operating funds; and reviews and allocations of personnel needs. Commands in both services prepare consolidated commissary operating reports for external distribution and have responsibility for commissary improvements. Additionally, Air Force commands evaluate and direct actions on audit and inspection reports, and Army commands review and make recommendations on requests for commercial operating equipment for commissaries.

Installation commanders are responsible for the operations and management of commissary stores. The local activity also provides commissaries such support services as personnel administration, finance and accounting, and procurement support. The commissaries requisition, receive, store, process, and sell their own merchandise.

The U.S. Army Troop Support Agency, Fort Lee, Virginia, and the U.S. Air Force Services Office, Philadelphia, Pennsylvania, provide technical and operational assistance to commissaries and to major commands within the respective

services. These activities exercise central control over surcharge funds, and the Army activity, acting as a staff section of Army Headquarters, gives final approval on commissary operating budgets funded by surcharge money. The Air Force activity gives tentative approval to such budgets; final approval is given by Air Force Headquarters.

NAVY

In contrast with the Army and Air Force structures, the Navy worldwide commissary program is managed independently of other major commands and local installations by NAVRESO, Brooklyn, an activity of the Naval Supply Systems Command. NAVRESO

- initiates operating directives and changes to them;
- conducts management surveys, reviews, and inspections;
- establishes field procurement policies;
- purchases required materials;
- publishes price agreement bulletins;
- develops budgetary requirements and administers Navy Stock Fund allotments;
- develops and administers commissary accounting procedures;
- determines civilian manpower requirements;
- recommends military staffing needs;
- administers the Navy Commissary Reserve Fund; and
- recommends to Navy Headquarters the establishment or disestablishment of Navy commissaries.

Although a few report directly to NAVRESO, most commissaries are controlled through commissary complexes. Stores are geographically grouped under the supervision of a commissary complex administrative office. This office provides centralized procurement, accounting, and administrative functions for all the stores in the complex. Additionally, the complex provides advisory assistance to store managers, determines the distribution of civilian employees among stores, and sets the percentage of merchandise markup for each store.

Commissary stores are tenants of the host installation and receive no direct installation supervision or control. Installations do provide support services, such as civilian payroll and military records administration. Store managers are accountable to the complex manager, and ultimately to NAVRESO, for their store operations.

MARINE CORPS

The Commandant of the Marine Corps exercises overall supervision and control of Marine Corps commissaries. Headquarters, Marine Corps, provides technical advice for commissary operations, establishes operating policies and procedures, and controls expenditures from reserves and profits.

Installation commanders direct commissary operations, insure that operating policies and procedures are implemented properly, and provide support services to the commissaries.

DUPLICATION WITHIN THE ARMY AND AIR FORCE

Each major command within the Army and Air Force performs basically the same management and administrative functions for its commissaries as discussed above. Also stores of different commands or within the same command in each service which are close together do not coordinate common functions. For example, these four Air Force commands operate commissaries in the San Antonio-Austin, Texas, area:

	<u>Commissary location</u>
Air Training Command	Lackland Air Force Base Randolph Air Force Base
Tactical Air Command	Bergstrom Air Force Base
Air Force Systems Command	Brooks Air Force Base
Air Force Logistics Command	Kelly Air Force Base

The commissaries at Brooks, Lackland, and Kelly Air Force Bases are within about 10 miles of each other. Randolph Air Force Base is about 20 miles northeast of San Antonio, and Bergstrom is about 50 miles further near Austin. Yet each store is independently managed, operated, and supported.

DUPLICATION AND INCONSISTENCIES
AMONG COMMISSARY PROGRAMS

Management operations are duplicated among the services. The Army, Air Force, and Navy each have a central office which provides technical and operational assistance to commissaries, consolidates reporting, and controls the use of commissary revenues. At the store level, there is no coordination to centrally perform common administrative and merchandise processing and control functions, even where commissaries of different services are close together. For example, in the Norfolk, Virginia, area, the Navy has a complex with six stores, the Army has two commissaries, and the Air Force has one. Although the Navy complex performs centralized functions for its own stores, such as buying, accounting, and reporting, these functions are duplicated by each Army and Air Force store.

The services, under broad DOD policies, have established their own criteria and guidelines for determining basic staffing needs, pricing merchandise, and paying commissary operating expenses, different from those of the other services. Also they have developed their own systems for controlling funds and using excess commissary revenues. This leeway also has resulted in duplicative and inconsistent practices among the services, which are discussed in later chapters.

Although we have not studied the feasibility of managing commissaries through a single organization, it appears that to do so could eliminate many of the duplications inherent in the multiple systems and result in savings to the taxpayer and the commissary programs. According to DOD officials, a committee was to be established within OSD to review and evaluate existing commissary organizations and was to possibly recommend alternatives. The committee would be expected to report by May 31, 1975.

CHAPTER 3

IMPACT OF EXTENDED COMMISSARY OPERATING HOURS

ON THE ALL-VOLUNTEER FORCES PROGRAM

The Army made a study to examine and identify trends in resource support related to the soldier's and his family's standard of living which influence Army career attractiveness. The February 1970 report showed a downward trend in such support. Commissary operations were selected for immediate improvement and hours were extended in fiscal year 1971 at 75 stores.

The Air Force and the Navy did not make formal studies to determine whether commissary operating hours should be extended. In 1970 the Air Force obtained commissary officials' estimates of the number of additional operating hours needed to eliminate patron waiting times over 15 to 20 minutes and to provide other essential services. The decision to extend operating hours was left up to individual base commanders. Hours were first extended at Air Force commissaries in 1971. The Navy extended hours at 25 high sales volume commissaries in 1970, then expanded to 43 others.

The Marine Corps recognized for several years the inadequacy of operating hours at certain larger commissaries. In 1969 the Corps conducted a management resources study of commissaries to determine requirements for staffing and hours of operation. It concluded that operating hours could not be extended unless more funds were appropriated. Additional staffing was authorized, and the Marine Corps began extending hours in 1972. It was felt that reduced congestion resulting from extended hours would increase morale and possibly help retain personnel.

In addition, the services began renovating, expanding, and replacing commissaries and increasing merchandise lines, to induce military enlistments and reenlistments. According to the House Appropriations Committee report on the 1975 appropriations bill and the related hearings, appropriated fund support for operating and maintaining commissaries increased from \$135.3 million in 1970 to an estimated \$231.6 million in 1975 and military personnel and construction support increased from \$38.2 million in 1973 to \$40.5 million in 1974. This support was expected to decrease to \$33.1 million in 1975. The services have testified before congressional committees that the cost of personnel to work extended hours has accounted for much of the increase in operation and maintenance support.

Service officials believe that there is a moral commitment to provide commissaries for retirees because their decision

to follow a military career may have been influenced by their anticipated use of commissaries in retirement. Furthermore, they consider the commissary an important economic benefit which aids personnel recruitment and retention. But factors other than the commissary shopping privilege also exert strong influence on enlistment and reenlistment decisions. We reported to the Congress in July 1974 (B-160096) that job security, educational opportunities, and job satisfaction also influenced decisions of military persons who intend to reenlist or who recently reenlisted.

With longer shopping hours, increased merchandise lines, and better commissaries, it is now more convenient and pleasant for the serviceman to shop at commissaries. No doubt, these improvements will have a positive effect on morale. The extension of operating hours alone, however, has not appreciably affected a significant number of enlistment and reenlistment decisions. Interviews with servicemen, retirees, and dependents of both disclosed that 93 percent felt extended operating hours had not affected their enlistment decisions; 91 percent felt extended hours had not affected or would not affect their reenlistment decisions. Recruiters and career counselors, as a rule, do not emphasize extended commissary operating hours in discussions with prospects.

INTERVIEWS WITH SERVICEMEN,
RETIREES, AND DEPENDENTS

We interviewed 2,406 people--600 overseas and 1,806 in the United States--at 24 military installations that had extended commissary operating hours. Characteristics of the total interviewed are shown in the following table.

Service (note a)	Total inter- viewed	Length of service		Marital status		Shopping authority	
		4 yrs or less	Over 4 yrs	Married	Single	Active duty	Retiree and others
Army(8)	802	267	535	645	157	674	128
Navy(7)	701	154	547	583	118	561	140
Air Force (7)	698	150	548	572	126	501	197
Marine Corps(2)	205	73	132	149	56	176	29
Total (24)	<u>2,406</u>	<u>644</u>	<u>1,762</u>	<u>1,949</u>	<u>457</u>	<u>1,912</u>	<u>494</u>

a/ The number of installations for each service is shown in parentheses.

According to the interview results, even though the commissary privilege has affected or will affect reenlistment decisions, extended operating hours have had or will have had almost no effect. Thirteen percent stated that the commissary privilege had affected enlistments, and 41 percent felt it had affected or would affect reenlistment decisions. More than 90 percent specifically stated that extended hours had not affected either decision. Although 95 percent shopped in commissaries, only 25 percent shopped during the extended hours.

All categories of personnel gave essentially the same percentages of negative responses concerning the effect of extended hours on enlistment and reenlistment decisions. The percentages by interviewee category are shown in the following table.

<u>Category of interviewee</u>	<u>Total interviewed</u>	<u>Enlistments not affected (percent)</u>	<u>Reenlistments not affected (percent)</u>
Interviewed at U.S. installations	1,806	90	91
Interviewed at overseas installations	600	99	91
Commissary shoppers	2,290	93	91
Aware hours extended	1,167	90	87
Extended hours shoppers	605	94	89
Active duty:	1,890	93	91
Married	1,530	92	91
Single	360	97	91
4 years of service or less	624	99	91
Over 4 years of service	1,266	90	91
Retirees	435	93	92
Total married	<u>a/1,949</u>	92	91
Total single	<u>a/454</u>	95	92
Total 4 years of service or less	<u>b/643</u>	99	91
Total over 4 years of service	<u>b/1,762</u>	90	91
Total all interviewees	2,406	93	91

a/These figures will not total 2,406 because three interviewees responded to this question with a "not applicable."

b/These figures will not total 2,406 because one interviewee responded to this question with a "not applicable."

About half the people interviewed knew commissary operating hours had been extended, and their opinions on the effect of extended hours on enlistment and reenlistment did not vary substantially from the opinion of all personnel. Ninety percent felt extended hours had not affected their enlistment decisions, and 87 percent felt they had not affected or would not affect their reenlistment decisions.

Ninety-nine percent of the interviewees with 4 years of service or less did not feel that extended commissary operating hours affected their enlistment decisions. Fifty-seven percent of the interviewees in this category were married.

EXTENDED HOURS NOT DISCUSSED BY RECRUITERS AND CAREER COUNSELORS

The services' recruiting commands and headquarters activities have not provided guidance to recruiters and career counselors on the extent commissary benefits or the extended commissary operating hours should be emphasized as recruiting and retention incentives. Consequently, recruiters and counselors, as a rule, do not emphasize extended hours in discussions with prospects.

Recruiters

We interviewed recruiters for each service in various locations within the United States. Most recruiters said they emphasize neither the overall commissary benefit nor extended hours when interviewing prospects except, if a prospect is married, the commissary may be discussed as a benefit. Recruiters emphasized travel and educational opportunities, pay, job security, medical benefits, post exchange privileges, and similar incentives. Many recruiters did not know that commissary operating hours had been extended. Several recruiters did not believe that the commissary benefit or extended operating hours had much impact on recruiting. Others doubted there was much savings from shopping in commissaries.

Career counselors

Career counselors at 21 of the 25 installations visited that had extended commissary operating hours stated that, as a rule, they did not emphasize the extended hours during counseling sessions. At 17 of the installations, counselors did not emphasize commissaries at all. In some instances, however, counselors discussed commissaries and extended hours if the interviewee was married or raised a question on commissaries. Not all the counselors knew that commissary

operating hours had been extended, and several said that they did not believe commissaries or the extended hours affected reenlistment decisions.

NO STUDIES BY THE SERVICES
TO DETERMINE IMPACT

The services have studied the impact of the commissary benefit on recruitment and retention, but none of these studies specifically addressed the impact of extended hours of operation. During our review the Navy began a patron attitude survey, which may provide some insight into the value of extended hours.

CHAPTER 4

STAFFING PATTERNS AND NEED FOR MILITARY

PERSONNEL IN COMMISSARIES

The Army, Navy, Air Force, and Marine Corps collectively employed 26,700 people in their commissary programs in 1974. This chapter relates only to staffing at commissaries and Navy complexes where 25,900 of these people worked.

Commissary staffing patterns are different among the services. Each service uses different factors to compute its basic staffing needs. Although there were authorized and on-board staffing differences among commissaries, most were not staffed at authorized levels. The number of military people has declined, but the Navy uses substantially more than the other services.

Military people are not needed in commissaries. DOD policy is to use civilians as much as possible, and the services do not have strong justification for the continued use of military. Jobs are not typically military, and many stores are now operated solely by civilians.

STAFFING PATTERNS

DOD has permitted each service to establish its own staffing guidelines. With this latitude, each service has established and now uses different factors to compute basic staffing needs for its commissaries. The following table shows the principal factors used by each service.

Staffing Guide Factors

<u>Factor</u>	<u>Army</u>	<u>Navy</u>	<u>Air Force</u>	<u>Marine Corps</u>
Dollar volume of sales	x	x	x	x
Sales adjusted for inflation	x	x	x	x
Local factors, such as multiple storage and retail locations	x			
Number of branch stores supported			x	x
Hours of operation	x	x		x
Number of line items stocked				x

The factor most commonly considered by each service in computing staffing levels is dollar volume of sales adjusted for inflation. The manpower computed using the adjusted sales

volume is then increased or decreased by applying the remaining factors. Major commands within the Army, Air Force, and Marine Corps and NAVRESO may adjust the staffing needs to allow for such things as funding limitations and peculiar needs of individual commissaries. Appendix I shows the sales volume and staffing at the commissaries visited as of March 1974.

Also the staffing guidelines for each service are different with respect to assigning military or civilian personnel to individual commissary positions. The Army specifies that either military or civilians may fill the same position. The Navy requires military persons for certain positions and civilians for others. The Air Force implies military specialties only, even though many civilians work in Air Force commissaries. The Marine Corps guidelines do not specify.

Commissaries not staffed
at authorized levels

Generally, commissaries were not staffed at authorized levels. We compared onboard staffing to staffing needs according to service guidelines and as determined by major commands at 15 Army, Air Force, Navy, and Marine Corps commissaries visited. Air Force, Marine Corps, and Navy stores were staffed below the levels authorized by service guidelines and, in many cases, below major command authorizations. Army staffing generally exceeded authorizations, primarily because the Army supplements its permanent work force with temporary help. The table below shows the differences between the authorized and onboard staffing at several commissaries visited.

Staffing Differences For Selected Commissaries (note a)

Service and commissary location	Staffing needs determined by		Number on board			Difference--above and (below)		
	Service guidelines	Major commands	Military	Civilian	Total	Command to service guidelines	On board to service guidelines	On board to command
Army:								
Fort Bragg, N.C.	248	252	6	288	294	4	46	42
Presidio, Calif.	176	163	-	171	171	(13)	(5)	8
Fort Hood, Tex.	176	206	12	197	209	30	33	3
Leghorn, Italy	38	34	5	31	36	(4)	(2)	2
Air Force:								
Andrews, Md.	178	162	-	162	162	(16)	(16)	-
Langley, Va.	133	133	8	108	116	(5)	(22)	(17)
Beale, Calif.	82	82	9	70	79	-	(3)	(3)
Carswell, Tex.	227	161	12	133	145	(66)	(82)	(16)
Sheppard, Tex.	132	102	1	113	114	(30)	(18)	12
Andersen, Guam	94	82	17	55	72	(12)	(22)	(10)
Marine Corps:								
Camp Lejeune, N.C.	185	164	-	160	160	(21)	(25)	(4)
Kaneohe Bay, Hawaii	71	68	2	65	67	(3)	(4)	(1)
Navy (note b):								
Pearl Harbor, Hawaii	169	163	34	118	152	(6)	(17)	(11)
San Diego, Calif.	227	204	41	139	180	(23)	(47)	(24)
Miramar, Calif.	213	181	24	154	178	(32)	(35)	(3)

a/ Data obtained during our visit to commissaries. Consequently, the above figures will not necessarily agree with those in appendix I because of time differences.

b/ Data obtained at NAVRESO which determines manpower authorizations for Navy commissaries.

Extent military personnel
used in commissaries

The number of military persons used in commissaries decreased during the 3-year period ended June 30, 1974. The Navy, however, uses many more military people than the other services. Although the Army did not provide complete statistics for each year, it appears, on the basis of March 1974 data, that few military personnel are used. The table below shows the number of military and civilian personnel working in commissaries at the end of fiscal years 1972-74.

Service and type of personnel	Number of personnel by fiscal year		
	<u>1972</u>	<u>1973</u>	<u>1974</u>
Army:			
Military	(a)	(a)	b/180
Civilian	(a)	(a)	<u>b/8,885</u>
Total			<u>9,065</u>
Navy:			
Military	1,384	1,374	1,218
Civilian	<u>3,237</u>	<u>3,698</u>	<u>4,109</u>
Total	<u>4,621</u>	<u>5,072</u>	<u>5,327</u>
Air Force (note c):			
Military	859	911	666
Civilian	<u>10,350</u>	<u>10,240</u>	<u>9,995</u>
Total	<u>11,209</u>	<u>11,151</u>	<u>10,661</u>
Marine Corps:			
Military	39	40	20
Civilian	<u>790</u>	<u>786</u>	<u>824</u>
Total	<u>829</u>	<u>826</u>	<u>844</u>

a/ Army headquarters did not provide complete statistics on the number of personnel assigned.

b/ As of March 31, 1974.

c/ Air Force Headquarters adjusted fiscal years 1972 and 1973 figures to eliminate subsistence issue personnel. We adjusted the fiscal year 1974 figures to arrive at the figures shown in the table.

MILITARY PERSONNEL NOT NEEDED
TO MANAGE, SUPERVISE,
OR OPERATE COMMISSARIES

DOD policy is to staff commissaries with civilians to the maximum extent. The services' do not have strong justifications for using military personnel. Jobs in commissaries are not typically military, and many commissaries in the Army, Air Force, and Marine Corps are operated solely by civilians.

DOD policy is to use civilians

DOD policy is to staff commissaries with civilians to the maximum extent. Military personnel may be used when qualified civilians are not available; when rotation, training, and career progression positions for military personnel are not available at other activities; and where command supervision is essential and cannot otherwise be effectively provided.

Justification for using
military people

The services justify using military personnel in commissaries on the basis that commissary positions are needed for rotation, training, and career progression. All services believe commissary positions are needed to train military personnel and to rotate them between overseas and stateside installations. Additionally, the Navy contends commissary positions are needed to rotate people between ship and shore duty, and the Air Force believes commissary positions are needed for career progression through the Air Force Supply Services Field.

DOD commissary officials explained that military people also are used in some commissaries because qualified civilians cannot be found who are willing to work in remote and overseas areas at the authorized pay rates. They believe commissaries are needed as a training ground for developing military managers for higher level positions.

Some store officials gave the following advantages of using military people in commissaries:

- Military personnel provide better relations with commissary patrons and are less costly.
- Their use allows greater management flexibility because problems relating to overtime, work schedules, and civil service and labor union requirements are minimized.

Others, however, gave the following disadvantages of using military in store operations:

- Lack of continuity in the work force.
- Additional military duties performed by military personnel take them away from their commissary jobs.
- Military personnel lack experience or are not trained properly for commissary operations.
- Internal operating procedures often change when military managers rotate, leading to uncertainty among employees.

Since the military people now employed in commissaries are drawn from the broad field of supply and logistics management, positions other than in the commissary can be used for rotation, training, and career progression. Additionally, using commissary positions for rotating Navy people between shipboard and shore duty may be eliminated through training in other logistical areas. An Army official stated that military officers rotating from overseas commissaries can fill other quartermaster positions.

By completely civilianizing positions in overseas and stateside commissaries and in upper management levels of the commissary programs, the need to train military personnel in, and rotate them between, commissaries will be eliminated. The continued use of military personnel in commissaries may (1) dampen the incentives for civilian personnel to develop and advance or (2) make advancement more difficult and ultimately cause trained civilians to transfer to other jobs. Furthermore, the services are not taking advantage of the military training given to their military people since this training is not needed to operate commissaries and generally the economic cost of military people is greater than that of civilians.

Jobs not typically military

We analyzed job requirements for positions held by military personnel at the 29 commissaries visited. No requirements were unique to military personnel. The following table shows examples of positions held by military people, by service.

Commissary Positions Held by Military Personnel

	<u>Army</u>	<u>Navy</u>	<u>Air Force</u>	<u>Marine Corps</u>
Commissary or complex officer	x	x	x	
Store manager	x	x	x	x
Assistant store manager		x		x
Meatcutter	x	x	x	
Clerks (sales, stock, administrative, and financial)	x	x	x	
Cashier		x	x	
Warehouse personnel		x	x	

Commissary officials at both headquarters and the stores stated that qualified civilians can fill the positions now held by military personnel. In fact, many stores are now operated solely by civilians.

As of March 1974, the services operated 104 commissaries staffed solely with civilians. The Army operated many more of its commissaries with civilians than did the other services. The following table shows, by service, the number of all-civilian-operated commissaries at overseas and U.S. installations.

<u>Locations</u>	<u>Army</u>	<u>Navy</u>	<u>Air Force</u>	<u>Marine Corps</u>	<u>Total</u>
United States	65	2	23	3	93
Overseas	<u>8</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>11</u>
Total	<u>73</u>	<u>2</u>	<u>26</u>	<u>3</u>	<u>104</u>

The two Navy stores in the table were transferred to the Navy from the Air Force in October 1973 and January 1974. Both stores are under Navy complex offices; consequently, a military officer has overall responsibility for the stores. The Navy had not decided whether to assign military personnel to these commissaries. Also the U.S. Defense Attache's Office transferred a commissary in Saigon, Republic of South Vietnam, to the Navy in July 1974. This store is staffed solely with civilians because of the limitations on the number of U.S. military personnel in Vietnam.

According to headquarters officials, civilian-staffed commissaries are effectively operated in the Army, Air Force, and Marine Corps. Officials at several commissaries stated

that a civilian-operated commissary would be more efficient, provide more staffing continuity, and have better qualified personnel.

MILITARY CAREER FIELD NOT NEEDED
FOR COMMISSARY OPERATIONS

Because military personnel are not needed in commissaries, a career field is not necessary.

CHAPTER 5

MERCHANDISE PRICING

By law, Army and Air Force commissaries must sell merchandise at cost, but they may add a surcharge to obtain sufficient revenues to pay certain operating expenses. DOD policy requires Navy and Marine Corps commissaries to sell at the lowest practical price, but they may mark up merchandise to cover expenses. Each service is responsible for prescribing the amount of surcharge or markup assessed by its stores.

The commissaries we visited were following the pricing criteria prescribed by their respective services, but many were not making required price verification reviews. Also there are differences in the percentage of surcharge and markup, the methods for rounding unit costs, the methods for adjusting shelf prices, and practices followed when selling identical items marked with different prices.

REQUIRED PRICE VERIFICATION REVIEWS NOT MADE

Although commissaries followed the prescribed criteria for initially establishing prices, many were not making required price verification reviews. The Army requires a disinterested officer to check monthly the prices of 200 randomly selected items, covering various merchandise lines. If more than a 4-percent error rate is found, pricing procedures must be reviewed. The Navy requires weekly reviews of all items on display. Incorrectly priced items are investigated and corrected. The Marine Corps requires that prices of at least 150 selected items be checked monthly by the store officer and quarterly by a disinterested officer.

Most of the Army, Navy, and Marine Corps commissaries visited were not making the price verification reviews as frequently as required or, if made, were not reviewing the required number of items.

	<u>Number of commissaries selected</u>	<u>Number of commissaries not complying with price verification procedures</u>
Army	8	6
Navy	7	5
Marine Corps	<u>3</u>	<u>2</u>
Total	<u>18</u>	<u>13</u>

The Air Force has no formal system for verifying shelf prices, but each store manager is responsible for insuring that prices are correct. Consequently, practices for checking prices varied in the 11 Air Force commissaries visited; some checked them daily or weekly and others checked them at irregular intervals. Most of the Air Force stores did not record price verifications.

DIFFERENCES IN PRICING PRACTICES

The Army and the Air Force add a surcharge to the total value of purchases for each customer as he or she checks out to cover certain operating expenses. The Navy and the Marine Corps, on the other hand, include the added charge in the price marked on the goods on the shelves. Thus their customers know the full cost of the item while they are making their selections whereas Army and Air Force customers have to make their own calculations.

Army commissaries add a 3-percent surcharge in the conterminous United States and 2-1/2 percent in Alaska and overseas. The Air Force surcharge is 3 percent for all commissaries. The Navy and Marine Corps markup is determined by each complex officer-in-charge or individual commissary officer. Consequently it varies from store to store. At the time of our review, the average Navy markup was 6 percent. In the Marine Corps it was 5 percent for grocery items and 4 percent for meat and produce.

The Army and the Air Force determine shelf prices by rounding the merchandise unit cost in accordance with a specified mill (1/10 cent) rule. Air Force Headquarters set the mill rule to be used by Air Force commissaries. During our review a 2-mill rule was used. The Army rule may vary from 1 mill to 5 mills and can be changed at the installation level as needed to adjust for gains and losses from operations.

According to the Air Force mill rule, unit cost fractions greater than 2 mills are rounded to the next whole cent. Unit cost fractions 2 mills or less are dropped. To illustrate, an item costing \$0.1021 would be shelf priced at 11 cents. But, if the unit cost is \$0.1020, the shelf price would be 10 cents. The Army applies its mill rule similarly, except unit cost fractions equal to or greater than the stated mill are rounded to the next whole cent and fractions less than the stated mill are dropped.

In the Navy and Marine Corps, the rounding may take place before or after the markup is applied or as a part of the markup. For example, if the unit price for an item falls between

\$0.25 and \$0.3999, the price is rounded to the next higher cent plus a cent. Thus an item costing \$0.251 would be priced at \$0.27 and one costing \$0.3999 would be priced at \$0.41. Usually the markup is a specified percentage on items costing \$1.00 or more and normal rounding is used; i.e., \$0.005 and over are rounded up and less than \$0.005 is rounded down.

Before August 1974 the Army and Air Force adjusted shelf prices as the invoice costs of new merchandise fluctuated. In August the Army stopped changing its shelf prices unless errors had been made in the initial price. In November 1974 the Air Force began making shelf-price changes only when the invoice cost decreased. With these changes in the Army and Air Force policies, items may appear on the shelf at different prices, in which case they will be sold as marked.

Before September 1974 Navy commissaries also adjusted shelf prices as the invoice costs of new merchandise fluctuated. In September the Navy started making shelf-price changes only when unit costs decreased. With this practice, Navy commissaries may have the identical items on the shelf at different unit prices. When a customer buys two or more of these items marked with different prices, the lowest price is charged for all.

Marine Corps commissaries mark the appropriate retail price of items on the outside of bulk containers when received in the warehouse. Identical items with different prices are segregated and are placed on the shelf on a first-in-first-out basis. As the new items are displayed, those already on the shelf are re-marked with the new price.

CHAPTER 6

FUNDING

DOD commissary operations are financed from appropriated funds, revolving stock funds, and revenues from retail sales. Personnel costs for all commissaries and certain other costs for overseas commissaries may be paid from appropriated funds. Revolving stock funds provide working capital to finance resale inventories, initially pay certain commissary operating expenses, and pay certain food wholesale costs. Revenues accruing from surcharges and merchandise markups are used to pay store operating expenses, either directly or as a reimbursement to appropriated or revolving stock funds, and to finance certain capital improvements.

In DOD appropriation acts since 1952, the Congress has prohibited the use of appropriated money for certain expenses of commissaries. Commissaries are required to bear the costs of resale merchandise; purchase and maintenance of equipment, supplies and services; and inventory losses due to shrinkage, spoilage, and pilferage. In addition, U.S. commissaries must pay transportation and utility costs.

DOD policy is to operate commissaries on a self-sustaining basis with respect to the above expenses. In practice, however, commissaries do not pay expenses as the Congress intended. For fiscal years 1973 and 1974, the commissaries should have paid or shared at least \$46.4 million in expenses. Appropriated funds were used to pay \$23.6 million, including \$0.8 million, at 10 of the 29 commissaries visited. Stock funds absorbed at least \$2.5 million. Commissaries should have shared in an additional \$14.9 million loss to the Defense Stock Fund in fiscal year 1973. Furthermore, because of the Cost of Living Council price controls, at least \$5.4 million in losses was charged to the services' stock funds, which apparently was not repaid in full.

At June 30, 1974, the services collectively had an unobligated balance of \$17.6 million in excess commissary revenues. Use of these revenues includes buying commissary equipment, improving commissary facilities, and constructing new commissaries.

SYSTEM FOR INSURING PROPER FUNDS USED FOR COMMISSARY EXPENSES

DOD has not established a standard system to insure that the proper funds are used to pay commissary expenses. Consequently, the Navy and Marine Corps have established systems that are distinctly different from the Army and

Air Force systems. The Navy and Marine Corps systems treat each store or complex as a separate accounting entity, matching revenues and expenses locally to determine profits or losses. The Army and Air Force do not determine profits or losses by store and use separate fund accounts for sales and surcharge collections.

Navy

The Navy operates commissary complexes or independent stores as separate entities; the complex or store manager is responsible for insuring efficient operations. The manager may adjust the percentage of merchandise markup as trends in operating gains and losses occur. All sales receipts are deposited to the Navy Stock Fund. Expenses billed to a commissary are paid from the Navy Stock Fund by Navy Regional Finance Centers.

The centers forward lists of expenses paid each day to the NAVRESO in Brooklyn. A monthly total is forwarded to the Naval Supply Systems Command. Quarterly, each complex or independent store sends copies of its financial statements to the Navy Finance Center, Cleveland, and to NAVRESO. The statements list expenses and sales and show the amount of profit or loss. An assessment of 1 percent of sales for the Commissary Store Reserve Fund is listed as an expense item on the quarterly statement.

The Navy Finance Center reviews, audits, and consolidates the quarterly reports. In the consolidation process, profits and losses of individual complexes or independent stores are offset. The consolidated net profit, along with the 1-percent assessment, is credited to the Commissary Store Reserve Fund. A net loss is recovered from the Reserve Fund.

This system should insure that commissary expenses paid from the Navy Stock Fund are reimbursed from commissary revenue.

Marine Corps

The Marine Corps operates its commissaries and controls funds in a fashion similar to the Navy. Each commissary is a separate entity with profits or losses determined for each store; each store manager may change the percentage of markup to adjust revenues; expenses are paid from, and sales receipts are deposited to, the Marine Corps Stock Fund; and 1 percent of sales is paid into a central commissary reserve fund.

Unlike the Navy, however, Marine Corps Headquarters must approve a store-prepared annual financial plan. Also the 1 percent deposited to the central commissary reserve fund is not considered a store expense. Profits exceeding the 1 percent remain in the Marine Corps Stock Fund to the store's credit. Although the excess profits are held for the individual store's use, Marine Corps Headquarters must approve all expenditures.

Army

Sales and surcharge receipts are accounted for separately. Receipts from sales are deposited to the Army Stock Fund, and bills for purchasing merchandise for resale are paid from the same fund. Consequently, except for inventory losses, sales receipts should offset the cost of purchases paid from the Army Stock Fund. The U.S. Army Troop Support Agency reimburses the fund for inventory losses centrally using surcharge money.

Surcharge receipts are deposited to a trust fund managed by the Troop Support Agency. Day-to-day operating expenses are paid from this fund in accordance with an annual budget approved by the Troop Support Agency.

Actual disbursements to pay for resale merchandise and commissary operating expenses are made by the local installation. Operating expenses are charged to the installations' operation and maintenance funds. Quarterly, each commissary reports its expenditures to the Troop Support Agency, which then uses surcharge funds to reimburse the local installation for expenses paid from operation and maintenance funds.

Air Force

With few exceptions, the Air Force system is very similar to the Army system. In contrast with the Army, however, the Air Force installation pays commissary operating expenses directly from the commissary surcharge account. Also the Air Force Services Office, Philadelphia, offsets inventory losses against Stock Fund gains resulting from the Air Force method of rounding invoice prices upward to determine shelf prices. If such funds are not sufficient to cover the losses, surcharge money is used.

EXTENT THAT APPROPRIATED FUNDS ARE USED TO SUPPORT COMMISSARIES

The accounting systems used by the services do not show the total commissary program costs or the extent to which

appropriated funds support commissaries. Additionally, the Army and the Air Force do not separate resale commissary functions and costs from troop support, making it practically impossible to determine the actual cost of resale commissary operations. Although complete figures were not provided, the services and DSA identified the following amounts of appropriated funds, actual and estimated, which were or will be spent to support commissaries during fiscal years 1972-75.

Service and fiscal year	Amount of funds by type of appropriation			Total
	Operation and maintenance	Military personnel	Military construction	
------(millions)-----				
Navy:				
1972	\$ 36.6	\$12.9	\$0.3	\$ 49.8
1973	42.7	13.7	.1	56.5
1974	48.6	12.5	1.8	62.9
1975	51.4	13.9	-	65.3
Marine Corps:				
1972	7.2	.4	-	7.6
1973	7.8	.4	-	8.2
1974	8.6	.1	-	8.7
1975	9.2	.1	-	9.3
Air Force:				
1972	a/75.4	6.2	6.0	87.6
1973	a/80.5	6.0	8.1	94.6
1974	b/95.2	b/5.2	b/9.0	109.4
1975	b/102.7	b/7.1	-	109.8
Army:				
1972	c/73.7	(d)	(e)	c/73.7
1973	c/82.8	(d)	(e)	c/82.8
1974	c/84.0	(d)	(e)	c/84.0
1975	c/86.2	(d)	(e)	c/86.2
Defense Supply Agency (note f):				
1972	(e)	(e)	(e)	(e)
1973	9.8	(e)	(e)	9.8
1974	g/10.6	(e)	(e)	10.6
1975	(h)	(h)		
Total (note i):				
1972	192.9	19.5	6.3	218.7
1973	223.6	20.1	8.2	251.9
1974	247.0	17.8	10.8	275.6
1975	249.5	21.1	.0	270.6

a/ Fiscal years 1972 and 1973 include only civilian salaries.

b/ Includes costs relating to both resale commissary and troop issue functions.

c/ Includes only salaries for employees at intermediate and command levels and at 112 commissaries.

d/ Included in personnel cost shown for operation and maintenance funds. The Army did not separate military personnel cost.

e/ Amount not provided.

f/ Represents estimated procurement and overhead expenses incurred by DPSC. (See p. 31.)

g/ We projected these figures for the year on the basis of figures provided by DSA for three quarters.

h/ Estimate not obtained.

i/ Actual totals were substantially more since not all appropriated funds used were identified.

As noted, not all appropriated funds spent for support services were identified. Support services include finance, accounting, and audit services; civilian and military personnel administration; procurement and contract administration; security and inspection services; and real property maintenance. We did not identify the total appropriated funds spent for these services. But the following example shows the estimated value of certain services provided by two Army installations in fiscal years 1973 and 1974.

<u>Service</u>	<u>Fort Hood (Tex.)</u>		<u>Corozal (Panama Canal Zone)</u>	
	<u>1973</u>	<u>1974</u>	<u>1973</u>	<u>1974</u>
Finance and accounting	\$37,100	\$37,100	\$ 23,100	\$ 26,600
Building maintenance and repair	16,200	17,400	281,700	284,800
Veterinary services	29,100	42,400	32,700	32,400
Procurement adminis- tration	5,600	6,300	28,600	42,600
Personnel administra- tion	<u>9,400</u>	<u>9,800</u>	<u>56,100</u>	<u>58,300</u>
Total	<u>\$97,400</u>	<u>\$113,000</u>	<u>\$422,200</u>	<u>\$444,700</u>

APPROPRIATED FUNDS USED TO PAY
EXPENSES REQUIRED TO BE PAID
FROM COMMISSARY REVENUES

In specifying certain types of expenses commissaries should pay (see p. 25), the Congress wanted to insure that all services would pay for comparable operating expenses from commissary revenues. Nevertheless, the Navy pays for more of its operating expenses from commissary revenues than do the other services. The services used substantial amounts of appropriated funds to pay for operating expenses required to be paid from commissary revenues.

Required expenses not paid
by commissaries

We estimated that, for 10 commissaries visited, appropriated funds totaling \$372,800 in fiscal year 1973 and \$401,800 in 1974 were used to pay for utilities, supplies, and equipment for warehouses and commissary administrative offices; maintenance on commissary equipment; data processing equipment; local transportation of merchandise from storage areas to the sales area; and laundry services. The DOD appropriation acts require that such expenses be paid with commissary revenues. Appendix II shows the type of expenses and the amounts each year for each commissary. The table below shows the total amount each year by type of expense.

<u>Type of expense</u>	<u>Amount of appropriated funds used</u>	
	<u>FY 1973</u>	<u>FY 1974</u>
Utilities	\$ 89,600	\$131,500
Maintenance	68,400	22,300
Supplies and equipment	50,900	66,700
Transportation	151,700	154,700
Data processing equipment	3,800	16,000
Laundry	8,400	10,600
Total	\$372,800	\$401,800

A small portion of the expenses were paid from appropriated funds because of employee errors. Most of the expenses, however, were paid from appropriated funds because each service interprets which facilities should be considered a part of the commissary for purposes of distinguishing between operating expenses that should be paid from revenues and those that should be paid from appropriations. The following table illustrates the differences.

<u>Type of expense</u>	<u>Paid from commissary revenues</u>			
	<u>Army</u>	<u>Air Force</u>	<u>Navy</u>	<u>Marine Corps</u>
Utilities:				
Sales area	Yes	Yes	Yes	Yes
Administrative offices	No	No	Yes	Yes
Remote warehouses	No	No	Yes	Yes
Trash and sewage removal	No	No	No	No
Supplies and operating equipment:				
Sales area	Yes	Yes	Yes	Yes
Administrative office	No	No	Yes	Yes
Remote warehouses	No	No	Yes	Yes
Data processing equipment	No	No	Yes	Yes
Merchandise transportation from storage area to sales area	No	No	Yes	No

Costs incurred at the wholesale level
for purchase of commissary merchandise
paid from appropriated funds

DSA, as a food wholesaler, incurred personnel, warehousing, administrative, and overhead costs estimated at \$9.8 million in fiscal year 1973 and \$10.6 million in 1974 to purchase commissary merchandise. These costs were paid from DSA's appropriated funds. Since they are a part of the cost to purchase commissary merchandise, as intended in the annual DOD appropriation acts, such costs should be paid with commissary revenues.

Transportation expenses paid
from appropriated funds

We estimate that appropriated funds amounting to \$1.2 million a year are being used, contrary to law, to pay for commercial transportation of commissary merchandise in the United States. ^{1/} Since 1952, annual DOD appropriation acts have prohibited appropriated funds from being used for this purpose.

DPSC places orders for brand name items for many of the overseas commissaries. Unless the size of the order justifies direct delivery to the port of export, the goods are first shipped to a depot where they are repacked in containers for shipment on through bills of lading to overseas destinations. The cost to move the goods from the depot through the port of embarkation to the overseas destination is paid by the services from operation and maintenance appropriations and is not passed on to the commissary.

We have interpreted the prohibitive language included in DOD appropriation acts to mean that, when goods are procured within the United States and are then shipped to commissaries outside the United States, only those transportation costs relating to transportation between our border and the "foreign" commissary can be paid from appropriated funds. This interpretation is consistent with statements by DOD representatives in congressional hearings.

REVOLVING STOCK FUNDS

Each service uses its revolving stock fund as working capital to finance its commissary resale inventories. In addition, the Navy and Marine Corps initially pay certain

^{1/} See our report: "Methods of Purchasing Food for the Military Services Are Costly and Inefficient" (Jan. 14, 1975).

operating expenses from their revolving stock funds and later make reimbursements from commissary revenues. DSA incurs certain costs as a food wholesaler, which should be returned to its stock fund over a period of time through the prices charged its customers.

We did not attempt to determine the total amount of stock funds used to support commissaries because separate accountability for troop support and resale functions was not maintained for all the stock funds. This is particularly true for the Army, Air Force, and Defense Stock Funds. Nevertheless, we did identify a substantial amount of commissary resale inventory losses which had been charged to the Army Stock Fund but had not been reimbursed from Army commissary revenues. Also the Defense Stock Fund incurred losses from unrecovered transportation costs and from the differences between merchandise costs and the prices charged to customers which should have been allocated between resale and troop support activities.

Commissary inventory losses not
reimbursed to Army Stock Fund

The Navy, Marine Corps, and Air Force require that the cost of unidentified commissary inventory losses be borne by the commissary customer as intended by law. Army commissary customers, however, pay only 20 percent of such losses. The remaining 80 percent is absorbed by the Army Stock Fund. An unidentified loss is the net difference between the recorded inventory balance and a physical count of stock on hand. The Army Stock Fund absorbed \$1,553,000 and \$931,000 of unidentified commissary inventory losses during fiscal years 1973 and 1974, respectively, and expects to absorb \$977,000 in 1975.

The Army has followed this practice since 1962, when an Army legal decision was issued, which stated that unidentifiable commissary inventory losses fell into five categories--accounting errors, pricing errors, ring-up losses, inventory errors, and pilferage--and only pilferage, by law, must be paid from commissary revenues. The Army felt it was impracticable to weight each category and, therefore, allocated the loss equally among all five categories.

The Army practice of paying only 20 percent of unidentifiable inventory losses from commissary revenues is not within the intent of the Congress as stated in annual DOD appropriation acts since 1952. In prohibiting the use of appropriated funds to pay certain commissary

operating expenses, including inventory losses, the Congress intended to place all commissaries on the same basis. Army commissaries, however, operate differently than those of the other services.

Also the Army practice conflicts with DOD Directive 7420.1, dated January 26, 1971. This directive requires that stock funds be compensated for all normal operating losses and for authorized expenses paid from the fund. Un-identifiable inventory losses, as categorized by the Army, are normal operating losses within the intent of the directive. Furthermore, under the present practice of financing resale merchandise inventories through the Army Stock Fund, they appear to be an authorized expense for which the fund should be compensated.

Defense Stock Fund losses not allocated to commissaries

In fiscal year 1973, DPSC's sales of troop issue items to commissaries totaled \$310 million, or about 37 percent of the total DPSC sales. It cannot be determined, however, whether the costs incurred by DPSC for such sales are being recovered fully from the commissary revenues as required by law. The total cost of commissary transactions is obscured because it is commingled with the cost of troop support transactions.

DPSC charges its customers standard prices--the cost of merchandise plus a surcharge to cover the cost of inventory adjustments and transportation--which are designed to recover, over a period of time, the costs paid from the Defense Stock Fund. In individual accounting periods, however, recovered costs normally will be more or less than the costs incurred. For example, in fiscal year 1973, transportation costs recovered by DPSC were \$4.6 million less than the actual transportation costs recorded. Also a net loss of \$10.3 million resulted from differences between merchandise costs and prices charged customers.

Without a system to charge the actual amount of such losses directly to the stock fund function for which the cost is incurred, they should be recovered by allocating costs between resale and troop support functions. Instead, at the end of each fiscal year, such losses (or gains) are merged with gains and losses from other functions financed through the Defense Stock Fund.

Losses resulting from Cost of
Living Council price controls
absorbed by stock funds

Beginning in 1971 the Council imposed price ceilings on many items sold in commissaries. In February 1972 the Council exempted commissary sales from the original price ceilings. In March 1973 the Council imposed temporary meat ceiling prices which remained in effect until September 1973. The President froze all prices in June 1973 for a maximum of 60 days but removed the food industry, except for beef, in July 1973.

In July 1973 DOD requested the Council to exempt commissaries from the price freeze because commissaries were facing continuing losses. The Council denied the request in August because it felt it was inequitable and inappropriate to exempt a Federal agency but not exempt all nongovernment retailers and DOD had not demonstrated serious hardships or gross inequities. To comply with the Cost of Living Council Regulations, commissaries had to sell items at less than cost.

Wholesalers' price ceilings were the average of the prices charged by a wholesaler to 90 percent of its customers. Commissaries, as preferred customers, were receiving the lowest prices. The average prices naturally were higher and wholesalers began selling to commissaries at ceiling prices. Commissary price ceilings were set at prices at which the goods had been sold, and those prices were the cost of the goods. Commissaries could not raise their prices when the wholesalers began shipping in goods at their increased ceiling prices and, thus, losses were sustained.

The Air Force, Marine Corps, Army, and Navy charged the losses to their respective stock funds. Information provided by an Air Force official showed that \$3.7 million in losses was charged to the Air Force Stock Fund from April through August 1973. A Marine Corps headquarters commissary specialist stated that \$205,000 in losses was absorbed by the Marine Corps Stock Fund. The Navy Stock Fund was charged with \$1.5 million. We did not attempt to determine the amount of losses charged to the Army Stock Fund. Nevertheless this situation can be partially remedied by repaying the stock funds for the losses from excess surcharge funds, which are discussed below.

Some losses already may have been repaid. An Air Force official stated that Air Force losses had been offset against gains accruing to the stock fund as a result of the variances between merchandise cost and its selling price.

USE OF EXCESS COMMISSARY REVENUES

Excess revenues accrued from commissary sales are controlled centrally in each service. At June 30, 1971, the services' central accounts had a balance on hand of \$28 million. During fiscal years 1972-74, they collected excess revenues totaling \$74 million and spent \$77.5 million. As of June 30, 1974, the combined total of the accounts was about \$27 million, including \$9.4 million in yearend obligations for the Army. The following table shows the account balances, collections, and expenditures for each service by fiscal year.

Excess Commissary Revenues

<u>Year and service</u>	<u>Opening balance</u>	<u>Collections</u>	<u>Expenditures</u>	<u>Closing balance</u>
(000 omitted)				
1972:				
Navy	\$ 1,766	\$ 5,991	\$ 6,834	\$ 923
Marine Corps	2,177	1,049	535	2,691
Army	11,030	3,300	3,068	a/12,589
Air Force	<u>13,027</u>	<u>6,607</u>	<u>7,244</u>	<u>12,390</u>
DOD total	<u>\$28,000</u>	<u>\$16,947</u>	<u>\$17,681</u>	<u>\$28,593</u>
1973:				
Navy	\$ 923	\$ 7,638	\$ 6,071	\$ 2,490
Marine Corps	2,691	1,204	396	3,499
Army	12,589	4,309	3,470	a/15,156
Air Force	<u>12,390</u>	<u>11,740</u>	<u>13,475</u>	<u>10,655</u>
DOD total	<u>\$28,593</u>	<u>\$24,891</u>	<u>\$23,412</u>	<u>\$31,800</u>
1974:				
Navy	\$ 2,490	\$ 9,628	\$11,900	\$ 218
Marine Corps	3,499	1,809	1,981	3,327
Army	15,156	6,753	6,230	a/b/15,072
Air Force	<u>10,655</u>	<u>13,953</u>	<u>c/16,255</u>	<u>8,353</u>
DOD total	<u>\$31,800</u>	<u>\$32,143</u>	<u>\$36,366</u>	<u>\$26,970</u>

a/ This amount represents cash on hand, not the unobligated balance. Therefore, the closing balance cannot be reconciled with the opening balance, collections, and expenditures. This also affects the DOD closing balance.

b/ Includes yearend obligations of \$9,400,000.

c/ Includes unobligated allocations for construction and related equipment totaling \$7,598,900.

The services use excess revenues to pay for (1) purchasing or replacing equipment for commissaries, (2) improving existing commissary facilities, and (3) constructing and equipping new commissary buildings. Additionally, the Navy uses excess revenues to help finance unusual commissary operating losses. In addition, the Navy's Commissary Store Reserve Fund is used as a clearing account for transportation expenses for shipping resale merchandise to Navy commissaries in Hawaii and Alaska. Commissaries in these two States are required to contribute a higher percentage of sales than other stores to pay for added shipping costs from the west coast.

CHAPTER 7

NEED FOR COMMISSARIES IN METROPOLITAN AREAS

Commissaries are not necessary at military installations in large metropolitan areas of the United States because there are enough commercial food stores reasonably close to the commissaries to meet the shopping needs of the service member living on or in the immediate vicinity of the installation and, since commercial food stores in metropolitan areas are very competitive and operate on a low profit margin, their prices are reasonable.

To illustrate the convenience of commercial food stores, we selected 6 of the 243 U.S. metropolitan areas and identified the number within a 5-mile radius of existing commissaries. In San Diego and San Francisco, California; San Antonio, Texas; Norfolk, Virginia; Honolulu/Pearl City, Hawaii; and Washington, D.C., the services operate 27 commissaries, many within 5 miles of another commissary. We identified at least 8 large commercial food stores within a 5-mile radius of 25 of the 27 commissaries. The other two commissaries each had at least four commercial stores within this same radius. The table on the following page shows the distribution of the stores, by mileage radius, for each commissary in the six areas.

The services have justified the continued operation of commissaries, including those in the above areas, on the basis of unreasonable prices in commercial stores, inconvenience of the stores' locations to the commissary patrons living on the installations, and the inadequacy of commercial store facilities and merchandise. We reported to the Joint Economic Committee in 1964 (B-146875) that the criteria used to justify commissaries were unrealistic and consequently distorted the generally accepted understanding of what are reasonable prices and reasonable distances. But the criteria have not changed, and commissaries continue to operate in such areas as the above, contrary to the original intent of the Congress that they be located only in remote areas where the serviceman does not have the benefit of metropolitan sales.

In our opinion, DOD's continued operation of commissaries in metropolitan areas cannot be justified on the basis that they are needed to provide military families convenient access to facilities from which to purchase reasonably priced food and necessities. If the Congress wishes DOD to continue commissary operations as a fringe benefit or for other reasons, the basis should be clearly stated in public law.

Metropolitan area and commissary location	Number of commercial food stores within radius of				
	1 mile	2 miles	3 miles	4 miles	5 miles
Norfolk:					
Naval Base	-	1	2	10	20
Little Creek Amphibious Base	2	2	6	10	18
Oceana Naval Air Station	-	-	6	11	13
Naval Shipyard	5	11	15	16	17
Honolulu/Pearl City:					
Fort Shafter (Schofield Barracks Annex)	3	4	6	9	11
Hickam Air Force Base	-	1	1	5	8
Pearl Harbor	1	1	4	6	3
San Antonio:					
Brooks Air Force Base	1	3	9	15	20
Fort Sam Houston	-	3	10	21	40
Kelly Air Force Base	-	1	7	19	30
Lackland Air Force Base	-	1	3	6	14
Randolph Air Force Base	-	3	4	4	4
San Diego:					
Naval Station	1	3	6	11	16
Naval Training Center	1	3	8	11	15
Miramar Naval Air Station	-	1	4	4	5
North Island Naval Air Station	1	2	2	3	11
San Francisco:					
Alameda Naval Air Station	1	3	10	20	(a)
Hamilton Air Force Base	1	3	3	9	12
Oakland Army Base	-	2	4	15	(a)
Presidio of San Francisco	2	11	23	(a)	(a)
Treasure Island Naval Station	-	-	3	9	17
washington, D.C.:					
Andrews Air Force Base	1	3	5	12	(a)
Bolling Air Force Base	1	7	18	(a)	(a)
Cameron Station	2	10	14	(a)	(a)
Fort McNair	1	10	19	(a)	(a)
Fort Myers	3	9	21	(a)	(a)
Walter Reed Army Hospital	1	4	11	(a)	(a)

a/ Significant numbers of commercial stores were within a closer radius; therefore, we did not attempt to identify additional stores.

CHAPTER 8

NEW COMMISSARIES OPENED

In fiscal years 1972-74, the Army, Navy, and Marine Corps opened a total of two new commissaries at overseas installations and three new stores or branches in the United States. One additional Army store is scheduled to open in 1975. At four of the installations, existing buildings were or will be converted to commissary use. The new stores were funded with \$349,000 from appropriated money and \$1,453,800 from commissary revenues. The Air Force did not open new stores or branches during the period. The following table shows by service the location, amount and type of funds, and type of facility for each commissary opened.

New Commissaries 1972-75

<u>Service</u>	<u>Location</u>	<u>FY opened</u>	<u>Type of funds</u>		<u>Total</u>	<u>Type of facility</u>
			<u>Appropriated</u>	<u>Commissary revenues</u>		
Army	Nekoma, N. Dak.	1974	\$227,915	\$ 99,658	\$ 327,573	New construction
Army	Rock Island, Ill. (note a)	p/1975	45,400	796,400	841,800	Converted warehouse
Navy	La Maddalena, Sardinia	1973	75,700	29,300	105,000	Converted building
Navy	San Diego, Calif. (note a)	1974	-	120,000	120,000	Converted building
Navy	Athens, Ga.	1973	-	385,000	385,000	New construction
Marine Corps	Iwakuni, Japan	1972	-	c/23,467	23,467	Converted building
Total			<u>\$349,015</u>	<u>\$1,453,825</u>	<u>\$1,802,840</u>	

a/ To be operated as a branch of another commissary.

b/ Expected to open in April 1975.

c/ Minor building improvements made in fiscal years 1973 and 1974 using an additional amount of commissary revenues.

The store at Nekoma is needed to serve about 500 military personnel expected to be assigned to a new Safeguard site. Nekoma is in a remote area near the Canadian border.

The Rock Island Arsenal and San Diego stores do not appear to be needed.

The one at Rock Island will be operated as a branch of the commissary at the Granite City Army Support Center. It was justified on the basis that (1) the nearest commissary was 189 miles away, (2) personnel were deprived of advantages of onpost commissary privileges enjoyed by people at other installations, and (3) its establishment would improve morale and welfare and would conform to the Army commitments to the modern volunteer Army concept. However, Rock Island Arsenal is in a metropolitan area of about 375,000 people with adequate commercial grocery stores. The installation has only about 50 family housing units and 300 military personnel. About 4,300 patrons are expected to use the commissary, but apparently most of these are retirees and widows.

The San Diego commissary was opened at the Naval Training Center as an outlet of the commissary at the San Diego Naval Base. The commissary was justified on the basis that commercial stores had unreasonable prices and were not conveniently located. A NAVRESO official said it was opened to help absorb the additional sales resulting from reassignment of personnel to the San Diego area during the Navy shore installation realignments.

According to officials of the San Diego complex, it was felt that potential commissary sales, estimated to be from \$2.2 million to \$3.5 million annually, were lost to commercial stores because commissaries at the Miramar and North Island Naval Air Stations and the San Diego Naval Base were overcrowded. Consequently, the branch store at the Naval Training Center was needed because the existing commissaries could not absorb this potential sales volume without further aggravating their already overcrowded conditions. As discussed in chapter 7, however, commissaries are not needed in the San Diego metropolitan area because it has enough adequate commercial food stores.

NEED TO INCREASE SURCHARGE PERCENTAGE
TO FUND COMMISSARY CONSTRUCTION

The DOD policy requiring the services to establish a surcharge rate to approximate revenues needed to pay certain required commissary operating expenses recognizes that an exact balance cannot be maintained between revenues and the amount of such expenses. It allows the services to use excess revenues for commissary construction.

In practice, the services use excess commissary revenues for major improvements and have been doing so for a number of years. But the OSD General Counsel has ruled that language in the annual defense appropriation act prohibits an increase in the percentage of surcharge to pay commissary construction costs.

In 1970 the House Armed Services Committee recommended that, when appropriated funds cannot be obtained, the surcharge be increased to provide funds for commissary construction. The Congress in 1973, when reviewing appropriations for commissary construction, recommended that DOD consider using nonappropriated funds for construction. In December 1974 legislation was passed authorizing the services to increase surcharges to fund construction needs.

A May 1973 report by the investigative staff of the House Appropriations Committee showed the services estimated that 137 major construction projects totaling \$287.5 million were needed as of 1973 to upgrade commissaries, as follows:

	<u>Number of projects</u>	<u>Estimated cost</u> (millions)
Army	40	<u>a/\$120.0</u>
Navy	56	89.6
Air Force	39	75.5
Marine Corps	<u>2</u>	<u>2.4</u>
Total	<u>137</u>	<u>\$287.5</u>

a/ Informal estimate using average cost of \$3 million a commissary.

On the basis of worldwide commissary sales for 1974, sufficient revenues to fund these projects apparently can be raised within a short period, by a moderate increase in the surcharge percentage. Using the 1974 sales experience, the following table shows the expected annual increase in revenues and the time required to raise the needed construction funds if the surcharge were increased 2 and 3 percent.

	Esti- mated needs	1974 sales	2 percent		3 percent		
			Revenue	Years	Revenue	Years	
		----- (millions) -----				(millions)	
Army	\$120.0	\$ 910.9	\$18.2	6.6	\$27.3	4.4	
Navy	89.6	a/455.4	9.1	9.8	13.7	6.5	
Air Force	75.5	1,065.0	21.3	3.5	32.0	2.4	
Marine Corps	<u>2.4</u>	<u>79.9</u>	<u>1.6</u>	1.5	<u>2.4</u>	1.0	
Total	<u>\$287.5</u>	<u>\$2,511.2</u>	<u>\$50.2</u>	5.7	<u>\$75.4</u>	3.8	

a/ 1974 sales adjusted to eliminate average 6-percent markup for the Navy.

The above estimates do not consider the impact of inflation on future sales and construction costs; additional needs that may be identified in future years; the excess revenues already being raised using the existing surcharge percentages; revisions to the estimated needs and sales that would be necessary should the services eliminate the unneeded commissaries in metropolitan areas; sales increases that may be brought about by modernizing facilities; and surcharge revenues presently used for commissary renovations, expansion, and maintenance that may be diverted to fill the above needs.

SALES VOLUME AND STAFFING AT COMMISSARIES

VISITED BY GAO AS OF MARCH 1974

Commissary location	Average monthly sales (note a) (millions)	Staffing						
		Authorized 3-31-74			On board 3-31-74			
		Military	Civilian	Total	Military	Civilian	Total	
Army	Leghorn, Italy	0.1	-	19	19	-	19	19
Marine Corps	Twenty-nine Palms, Calif.	.2	1	47	48	1	40	41
Army	Sagamihara, Japan	.3	3	53	56	3	58	61
Navy	Rota, Spain	.3	14	61	75	14	50	64
Navy	Taipei, Taiwan	.4	26	91	b/117	26	92	b/118
Marine Corps	Kaneohe Bay, Hawaii	.5	1	81	82	2	63	65
Air Force	Andersen, Guam	.5	21	62	83	19	62	81
Air Force	Lakenheath, England	.5	3	71	74	7	67	74
Air Force	Beale, Calif.	.6	10	75	85	11	82	93
Army	Corozal, Panama Canal zone	.7	2	70	72	5	90	95
Air Force	Ramstein, Germany	.7	2	109	111	7	106	113
Air Force	Sheppard, Tex.	.9	3	99	102	2	115	117
Air Force	Clark, Philippines	1.0	16	125	141	15	124	139
Navy	Naval Air Station, Alameda, Calif.	1.0	18	76	94	13	72	85
Air Force	Langley, Va.	1.1	6	129	135	10	114	124
Marine Corps	Camp Lejeune, N.C.	1.2	1	178	179	1	162	163
Navy	Pearl Harbor, Hawaii	1.4	42	127	169	34	118	152
Army	Presidio, Calif.	1.3	-	132	132	-	150	150
Army	Walter Reed Army Hospital, Washington, D.C.	1.4	-	144	144	-	144	144
Air Force	Norton, Calif.	1.4	11	152	163	11	141	152
Air Force	Travis, Calif.	1.4	16	139	155	18	126	144
Navy	Little Creek, Va.	1.5	35	120	155	22	114	136
Air Force	Andrews Air Force Base, Md.	1.7	-	162	162	-	156	156
Air Force	Carswell, Tex.	1.7	14	150	164	13	142	155
Army	Fort Hood, Tex.	1.9	-	162	162	-	203	203
Army	Cameron Station, Va.	2.1	1	269	270	-	253	253
Navy	Naval Air Station, Miramar, Calif.	2.1	29	152	181	24	154	178
Navy	San Diego, Calif.	2.3	58	146	204	41	139	180
Army	Fort Bragg, N.C.	2.7	4	243	247	3	293	296

a/ For Navy commissaries, the average monthly sales includes a merchandise markup. Navy-wide, this markup averaged 6 percent at the of our review.

b/ Includes about 18 people for troop subsistence functions.

APPENDIX II

EXPENSES FOR SELECTED COMMISSARIES PAID FROM
 APPROPRIATED FUNDS THAT SHOULD HAVE BEEN PAID
 FROM REVENUES--FISCAL YEARS 1973 AND 1974

	Amount (note a)	
	FY 1973	FY 1974
Fort Bragg, N.C. (Army):		
Utilities	\$ -	\$ 2,200
Maintenance	44,200	-
Supplies and equipment	16,700	21,900
Merchandise transportation	104,200	104,200
Data processing equipment	-	12,300
Total	<u>\$165,100</u>	<u>\$140,600</u>
Fort Hood, Tex. (Army):		
Utilities	\$ 58,400	\$ 95,200
Maintenance	17,200	17,200
Merchandise transportation	8,600	8,600
Total	<u>\$ 84,200</u>	<u>\$121,000</u>
Corozal, Panama Canal Zone (Army):		
Laundry	\$ 8,400	\$ 10,000
Sagamihara, Japan (Army):		
Laundry	\$ -	\$ 700
Maintenance	1,600	2,500
Supplies	3,900	8,700
Total	<u>\$ 5,500</u>	<u>\$ 11,900</u>
Camp Darby, Italy (Army):		
Maintenance	\$ 5,400	\$ 2,500
Supplies	-	15,600
Data processing equipment	3,800	3,600
Total	<u>\$ 9,200</u>	<u>\$ 21,700</u>
Little Creek Amphibious Base, Va. (Navy):		
Utilities	\$ 9,100	\$ 9,100
Camp Lejeune, N.C. (Marine Corps):		
Utilities	\$ 4,400	\$ 5,600
Equipment rental	24,000	12,000
Merchandise transportation	33,500	33,500
Total	<u>\$ 61,900</u>	<u>\$ 51,100</u>
Langley Air Force Base, Va. (Air Force):		
Utilities	\$ 1,000	\$ 1,100
Supplies and equipment	6,200	8,400
Merchandise transportation	2,400	2,800
Total	<u>\$ 9,600</u>	<u>\$ 12,300</u>
Carswell Air Force Base, Tex. (Air Force):		
Utilities	\$ 3,500	\$ 5,100
Merchandise transportation	1,500	1,600
Total	<u>\$ 5,000</u>	<u>\$ 6,700</u>
Sheppard Air Force Base, Tex. (Air Force):		
Utilities	\$ 13,400	\$ 13,300
Merchandise transportation	1,400	3,900
Total	<u>\$ 14,800</u>	<u>\$ 17,200</u>
Total of all 10 commissaries	<u>\$372,800</u>	<u>b/\$401,600</u>

a/ Amounts are either estimated or actual.

b/ Total does not agree with table on page 30 due to rounding.

BEST DOCUMENT AVAILABLE

RESULT OF LATEST DOD SURVEYS (1972)

TO JUSTIFY COMMISSARIES

	Number of commissaries justified							
	<u>Adequacy</u>	<u>Convenience</u>	<u>Price</u>	<u>Adequacy, convenience, and price</u>	<u>Convenience and price</u>	<u>Adequacy and convenience</u>	<u>Adequacy and price</u>	<u>Total</u>
Army	-	4	12	23	30	1	-	70
Navy	-	-	16	-	43	-	-	59
Air Force	-	10	43	25	51	-	4	133
Marine Corps	-	-	-	3	8	-	-	11
Total	-	<u>14</u>	<u>71</u>	<u>51</u>	<u>132</u>	<u>1</u>	<u>4</u>	<u>273</u>

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Congress of the United States
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Committee on Appropriations
 Washington, D.C. 20515

May 3, 1974

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Honorable Elmer B. Staats
 Comptroller General of the
 United States
 General Accounting Office
 Washington, D. C. 20548

Dear Mr. Staats:

Commissary stores operated by the military services consume substantial sums of appropriated money each year. Some costs incurred in commissary operations are reimbursable to appropriation accounts while other expenses are paid directly with appropriated funds.

With the advent of the all-volunteer force, direct appropriations for commissary operations have increased substantially. For instance, a large number of additional civilian employees have been employed so that commissaries can be open longer hours in order to render better service to military personnel.

The Committee is desirous of determining whether or not this expenditure is effective and whether or not commissaries are being effectively managed. Therefore, the Committee would appreciate the General Accounting Office making a comprehensive review of commissary operations. The review should include but not necessarily be limited to the following items:

1. A determination of the impact of extended operations on the effectiveness of the all-volunteer program.
2. A determination of the need for the operation of commissaries in metropolitan areas where other shopping accommodations are extensively available.

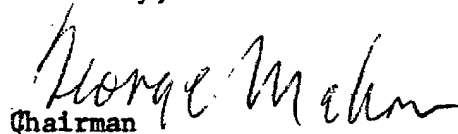
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 5/9/74 Dorothy Schumacher - FPCD

3. The staffing patterns at the various size commissaries being operated.
4. The need for commissaries to utilize the services of military personnel in managing, supervising, or carrying out other operating functions. The Committee would like to know whether commissaries could be operated effectively solely by civilian personnel.
5. If military personnel are required for this operation, whether this should be a career field.
6. The number of new commissaries opened since the beginning of fiscal year 1972.
7. The criterion used in establishing pricing practices and the consistency in applying this criterion by individual commissaries.
8. The amount of appropriated funds used to support commissary operations in fiscal years 1972 through 1974, and the estimate for 1975.
9. Whether reimbursements to appropriations are being made on an equitable basis.
10. A determination of the profits realized or losses sustained by commissary operations for the fiscal years 1972 through 1974. If profits were realized, the Committee should be advised as to the use of such income.

Because of the complexity of this review you may report by various segments if you so desire. However, the Committee would appreciate receiving the final overall report by December 31, 1974, so that it will be available for use in considering the Department of Defense budget request for fiscal year 1976.

I am today requesting the Department of Defense to fully cooperate with you in making this review to facilitate its completion. A copy of my letter to the Secretary of Defense is enclosed.

Sincerely,


Chairman

Enclosure

PRINCIPAL OFFICIALS OF THE DEPARTMENT
OF DEFENSE AND MILITARY DEPARTMENTS
RESPONSIBLE FOR ACTIVITIES
DISCUSSED IN THIS REPORT

	Tenure of office	
	From	To
<u>DEPARTMENT OF DEFENSE</u>		
SECRETARY OF DEFENSE: James R. Schlesinger	June 1973	Present
DEPUTY SECRETARY OF DEFENSE: William P. Clements, Jr.	Jan. 1973	Present
ASSISTANT SECRETARY OF DEFENSE (MANPOWER AND RESERVE AFFAIRS): William Brehm	Sept. 1973	Present
<u>DEPARTMENT OF THE ARMY</u>		
SECRETARY OF THE ARMY: Howard Callaway	May 1973	Present
UNDER SECRETARY OF THE ARMY: Herman R. Staudt	Jan. 1973	Present
ASSISTANT SECRETARY OF THE ARMY (MANPOWER AND RESERVE AFFAIRS): M. David Lowe	Mar. 1974	Present
<u>DEPARTMENT OF THE NAVY</u>		
SECRETARY OF THE NAVY: J. William Middendorf	June 1974	Present
UNDER SECRETARY OF THE NAVY: D.S. Potter	Aug. 1974	Present
ASSISTANT SECRETARY OF THE NAVY (MANPOWER AND RESERVE AFFAIRS): Joseph T. McCullen, Jr.	Sept. 1973	Present
COMMANDANT OF THE MARINE CORPS: Gen. Robert E. Cushman, Jr.	Jan. 1972	Present

<u>Tenure of office</u>	
<u>From</u>	<u>To</u>

DEPARTMENT OF THE AIR FORCE

SECRETARY OF THE AIR FORCE:

Dr. John L. McLucas

July 1973 Present

UNDER SECRETARY OF THE AIR FORCE:

James W. Plummer

Dec. 1973 Present

ASSISTANT SECRETARY OF THE AIR FORCE

(MANPOWER AND RESERVE AFFAIRS):

David P. Taylor

June 1974 Present