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<p align="center">TITLE OF REPORT AND ASSIGNMENT CODE</p> <p align="center">DEFICIENCIES IN THE AIR FORCE'S MAINTENANCE ACTUAL MATERIAL COST SYSTEM (CODE 943022)</p>	<p align="center">INSTRUCTIONS</p> <p>Instructions for preparing this form are contained in Chapter 20 of the Report Manual.</p>
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<p>NAME OF OFFICIAL TO SIGN REPORT Mr. H.W. Connor</p>	<p>TITLE Associate Director</p>	<p>DATE ISSUED</p>
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REMARKS

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<p>SIGNATURE <i>Henry W. Connor</i></p>	<p>TITLE Associate Director</p>	<p>DATE JAN 6 1977</p>



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

LOGISTICS AND COMMUNICATIONS
DIVISION

JAN 6 1977

General F. M. Rogers
Commander
Air Force Logistics Command

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Dear General Rogers:

We have completed a survey of cost and quantity data used in stock management of material consumed at the Oklahoma City Air Logistics Center. Our work dealt primarily with determining the accuracy and use of data for material consumed in the maintenance facility at Oklahoma City. The survey was performed under assignment code number 943022.

We are recommending that you study the G004H Maintenance Actual Material Cost System to identify and correct cost and usage errors and that additional edits be placed in the system to insure accurate data.

This automatic data processing system accounts for materials used in depot level repair. It was designed to accumulate and summarize actual material costs as input to other related systems. For example, data from the G004H system is input to other systems which develop and maintain standard costs for maintenance activities. It also interfaces with an inventory accounting system which contains stock list prices--procurement prices plus surcharge. The system is used by all Air Logistics Centers and the Aerospace Guidance and Meteorology Center.

The Air Logistics Centers use cost data from the system in determining rates to charge customers of the Maintenance Industrial Fund for the repair work done at the depots. The amounts billed are to replenish this fund from appropriated funds. It is important, therefore, that they be reasonably accurate.

The Centers also adjust standards for materials usage on the basis of data developed by the system. Among other uses, the standards are used for

- identifying parts and material needed in the repair program, and
- projecting the quantities of parts and materials needed.

The standards also are factors in making repair/replace decisions.

LCD-77-206

PRICING ERRORS IN THE SYSTEM

Analysis of the November 1975 activity showed that 7,113 of 18,657 expense items consumed at Oklahoma City were erroneously priced. Results are as follows:

	<u>G004H price</u>	<u>Stock list price</u>	<u>Difference</u>
Value of negative transactions	\$2,932,421.47	\$2,530,640.38	\$401,781.09
Value of positive transactions	\$5,711,135.59	\$5,557,790.97	<u>\$153,344.62</u>
Net difference in positive and negative errors			<u>\$248,436.47</u>

Normally, positive transactions should represent issues of material for consumption and negative transactions should represent turn-ins of previously issued material for various reasons.

The difference of the negative and positive pricing errors was \$248,436.47 for the month. The sum of negative and positive pricing errors for the month was \$555,125.71. The Center personnel were unable to explain these differences without making a lengthy detailed analysis. These figures show that inaccurate data is being used in determining rates to charge Industrial Fund customers for repair work, and could affect appropriated funds requested by the customers.

QUANTITY ERRORS IN THE SYSTEM

We analyzed the almost \$3 million of negative transactions of expense material. Since expense material is generally issued on a non-exchange basis this amount of material turn-ins appeared excessive. Agency officials stated that about \$1.4 million of this amount was for J-79 engine parts shipped to the San Antonio Air Logistics Center after maintenance responsibility for the J-79 engine had been transferred from the Oklahoma City Center. The remaining \$1.6 million was for entries made to correct erroneous data other than price or quantity.

The latter adjustments became necessary when issued material was charged to the wrong control number. The control number identifies the item being worked. If no production is shown for a control number during a period, system edits cause material erroneously charged to appear on a material suspense list. However, this material has already cleared the G004H system. G004H edits merely check to see that material is charged to a current or open control number and not necessarily the correct control number.

After research, Center personnel manually adjusted the dollar amounts to the correct control number in the following month. The adjustments were made from the suspense list which lists total dollars charged erroneously, but does not show the original quantity issued. Therefore, the adjustments to dollars were being made using an arbitrary quantity of 1. Agency officials stated that it was difficult to research each item back to the original issue to determine the actual quantity.

These adjustments give the appearance of normal issues and turn-ins in G004H system outputs. The result is erroneous usage data being analyzed to refine material standards. For example, one item adjusted was a charge for a quantity of 400 to the wrong control number. The adjustment, arbitrarily using the quantity of 1, left 399 units charged to the wrong control number and failed to charge 399 units to the correct control number.

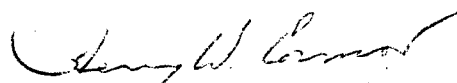
RECOMMENDATIONS

Because all Air Logistics Centers use the G004H system, deficiencies at the Oklahoma City Center may be symptomatic of similar problems at the other Centers. To correct pricing errors and assure valid data in the system, we recommend a periodic match of the G004H and stock list prices to determine the extent of errors in the system. If significant errors continue to occur, we recommend Air Force Logistics Command personnel make a study to determine whether the cause is faulty system input, machine error, or interface problems. Proper steps can then be taken to correct the problem.

To insure correct usage data, we recommend that edits be placed in the G004H system that will require material issued to match the correct resource control center, control number, job designator, and operation number. These more specific edits should insure that material is charged correctly as well as to a current or open control number. In the event manual adjustments still are necessary, quantity as well as costs should be corrected to insure accurate usage data input to material standards.

We would appreciate receiving your comments on any actions taken or planned as a result of our recommendations. We are sending copies of this report to the Secretary of Defense and the Secretary of the Air Force.

Sincerely yours,



Henry W. Connor
Associate Director