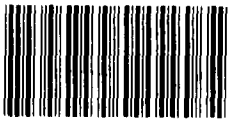
REPORT BY THE U.S.

General Accounting Office

The Army Should Use Available Serviceable Parts To Avoid Repairs

The Army unnecessarily spends millions of dollars to repair parts when more than sufficient quantities of serviceable parts are available to meet current needs. The Army needs to establish procedures for identifying repair actions, notifying depots that replacement quantities are available, and matching repair actions with available quantities.



LCD-79-205
JANUARY 31, 1979

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

LOGISTICS AND COMMUNICATIONS
DIVISION

B-133019

The Honorable Clifford L. Alexander, Jr.
The Secretary of the Army

Dear Mr. Secretary:

This report shows that the Army unnecessarily spends millions of dollars to repair parts when more than sufficient quantities of serviceable parts are available to meet current needs.

The report contains recommendations to you on pages 8 and 13. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Director, Office of Management and Budget; the Secretary of Defense; and the chairmen of the appropriate congressional committees.

Sincerely yours,

R. W. Gutmann
Director

GENERAL ACCOUNTING OFFICE
REPORT TO THE
SECRETARY OF THE ARMY

THE ARMY SHOULD USE AVAILABLE SERVICEABLE PARTS TO AVOID REPAIRS

D I G E S T

The Army has not taken advantage of opportunities to use serviceable long supply or excess parts in place of repairs. Instead, unnecessary repairs, which require thousands of direct labor hours and cost millions of dollars, are being made. The labor hours could be used elsewhere to reduce maintenance shortfalls or eliminated if unneeded.

At the two Army depots reviewed, about 776,000 direct labor hours costing $18 million could be saved in future years by using 662,000 serviceable long supply or excess parts that are available. (See p. 3.)

The Army recognizes the benefits of using available replacement quantities rather than repairing items, but has not changed its normal repair practice to take advantage of replacement opportunities. It has not developed effective procedures for (1) identifying parts that are being repaired concurrently with its next higher component, (2) notifying depots that replacement quantities are available, and (3) matching repair actions with available quantities. (See p. 6.)

This problem is not new. In 1972, the Army Audit Agency reported that one of the depots was repairing or contracting for repair of unserviceable parts when like serviceable parts were in long supply or excess within the supply system. The report indicated that corrective action was taken, but the current review shows that this is not the case. (See p. 8.)

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To avoid unnecessary repairs, the Army should establish procedures that will

--identify parts that are being repaired concurrently with its next higher component,

--notify depots when replacement parts are available to preclude repairs,

--mechanically match concurrent repair actions with available replacement parts, and

--identify opportunities to save contract repair dollars by making long supply and excess parts available to repair contractors. (See p. 8.)

In addition to the lack of a system for matching repair actions with available replacement parts, other problems were associated with the use of long supply and excess assets. For example, instances were noted where item managers scheduled unserviceable parts for repair, even though large quantities of long supply and excess parts were available. (See p. 10.)

Also, many parts regularly repaired at the depots are classified by the Army supply system as nonreparable and would be disposed of if replaced by serviceable parts in long supply. In some cases, these parts should be classified as reparable and retained so that they can be scheduled for repair if requirements increase and sufficient serviceable parts are not available to satisfy expected needs. (See p. 11.)

Another problem concerned the Army costing system requirement that the stock list price of a replacement part be charged to repair of the end item. This penalizes depot managers for using long supply parts because the stock list price is generally higher than the repair cost. (See p. 12.)

The Army should

--adopt procedures to make sure that item managers do not schedule repair programs for items in long supply;

--set up a more timely reporting system that will alert item managers that scheduled repairs are no longer needed because stock positions have changed from short to long supply;

--determine whether items regularly repaired, but classified as nonreparable, should be classified as reparable;

--make sure that unserviceable parts resulting from replacement actions are retained and, if necessary, scheduled for repair to satisfy future requirements for serviceable parts; and

--change pricing procedures to eliminate cost disparities caused by utilizing parts in long supply. (See p. 13.)

This report was discussed with Army officials. They generally agreed with the findings and recommendations. (See pp. 9 and 14.)

Contents

CHAPTER 1

INTRODUCTION

Depot level equipment overhaul and repair consumes substantial resources. To make the best use of available resources, the military services have developed various depot management policies, procedures, and practices. While the services use different methods for depot management, they have a common goal of returning needed unserviceable equipment to satisfactory condition as quickly and economically as possible.

From time to time, supply groups which stock, store, and issue materials to support operational equipment find that they have more serviceable material than is currently needed. The unneeded material, classified as long supply or excess, can be used in lieu of repairing like unserviceable parts. The decision to replace rather than repair can save repair labor and put onhand serviceable parts to good use. Saved labor hours can be eliminated or redirected to work that might otherwise go undone.

Using parts and components in long supply instead of expending labor resources is an important goal within the military services. To meet this goal and insure effective use of available material resources, each of the services has established procedural guidelines:

--The Air Force Logistics Command Manual 57-3 states that one objective of the Air Force repair program is to preclude parts repair when serviceable parts in excess of a 12-month supply are available.

--A Naval Air Systems Command instruction requires depots to exchange reparable items for ready-for-issue components in long supply instead of concurrently repairing them.

--The Army Materiel Development and Readiness Command Regulation 750-28 provides that item managers will identify those repair parts which are in long supply or excess which can be requisitioned from the supply system for use in overhaul. The repair of parts in long supply or excess may not be accomplished without prior approval.

This report concerns the Army. Prior reports 1/ have covered the Air Force's and Navy's use of available serviceable parts.

The Army logistics system is responsive to a requirements system which projects the quantity of serviceable parts needed to support using organizations. The projected period of support can range from 15 months to 5 years depending on such factors as demands, administrative lead time, procurement lead time, and safety levels. Once the quantity of parts needed is identified, available serviceable parts are matched to projected needs.

Serviceable parts exceeding projected needs are termed long supply. Long supply parts are retained by the requirements system if their quantity does not exceed authorized retention levels. Quantities which exceed the retention levels are termed excess and are subject to disposal.

In some cases, the long supply or excess parts can be used to preclude either scheduled or concurrent depot repair actions. Weapons systems, such as helicopters, tanks, and armored personnel carriers, are scheduled for repair by material managers on the basis of the time used and an inspection to determine condition. Also, unserviceable major assemblies, such as engines, transmissions, and rotors, are scheduled for repair when a need exists to replenish serviceable stock. The need to replenish serviceable stock is computed by the requirements system.

In most cases, scheduled repairs to weapons systems and major assemblies result in concurrent repair of component parts which comprise the system or assembly. The decision to repair or replace these component parts is usually made at the depot during the repair process.

1/"Air Force Continues to Repair Parts When Serviceable Parts are Available" (LCD-77-202, June 7, 1977).

"Navy Aircraft Overhaul Depots Could Be More Productive" (LCD-75-432, Dec. 23, 1975).

CHAPTER 2

SYSTEM NEEDED TO MATCH REPAIR ACTIONS WITH AVAILABLE REPLACEMENT QUANTITIES

Although opportunities are available to use long supply or excess material in place of repairs, the Army has not always taken advantage of these opportunities. As a result, unnecessary repairs, which require thousands of direct labor hours and cost millions of dollars, are being made. The labor hours could be used elsewhere to reduce maintenance shortfalls or eliminated if unneeded. At the two depots reviewed, we estimate that 776,000 labor hours could be saved in future years by using 662,000 serviceable replacement parts that are available. The value of these labor hours is about $18 million.

Army regulations require that serviceable long supply and excess material be used to preclude repairing like parts. However, the Army is making unnecessary repairs because the depots have no means of readily identifying parts that are being repaired concurrently with its next higher component. The identification of parts being repaired is necessary to insure matching of available replacement quantities with repair actions. Further, the Army has not established effective procedures to insure that inventory control points notify depots when replacement quantities of long supply and excess materials are available.

Other policies and procedures also have discouraged the use of excess or long supply parts. These problems are discussed in chapter 3.

AMPLE SERVICEABLE ASSETS ARE AVAILABLE

During fiscal year 1977, the Army spent $572 million at depots to repair and overhaul weapons systems and supporting parts. At the same time, large amounts of serviceable long supply and excess assets were available to preclude some of these repairs.

The Army reports that serviceable material resources valued at $397 million were in long supply or excess at the end of fiscal year 1977. The following table shows a breakdown of these assets by Materiel Readiness Command (inventory control point).

Command	Value
Armament	$ 57,127,000
Troop Support and Aviation	102,674,000
Tank-Automotive	37,378,000
Communications and Electronics	118,539,000
Missile	81,360,000
Total	$397,078,000

SAVINGS FROM USING AVAILABLE RESOURCES

We reviewed repair activity at the Corpus Christi and Red River Army Depots and found that regular repairs were being made to 2,180 items that had serviceable replacement parts. In total, we identified about 662,000 potential replacement parts valued at approximately $70 million that were reported in long supply or excess by the Troop Support and Aviation Readiness Command and the Tank-Automotive Readiness Command. Future use of these replacement parts could save as many as 776,000 labor hours. The available replacement parts include 387,000 parts valued at about $36 million that were excess to Army needs.

The following is a summary of replacement quantities available to preclude repairs.

Depot	Parts repaired having replacement quantities	Replacement quantity		Value of replacement quantity (millions)	
		Long supply	Excess	Long supply	Excess
Corpus Christi	1,926	555,130	344,573	$61.5	$32.9
Red River	254	107,219	42,485	8.3	3.2
Total	2,180	662,349	387,058	$69.8	$36.1

The savings that could result from use of this material are significant. For example, at the Corpus Christi Army Depot we reviewed 25 items repaired during fiscal year 1977 for which serviceable stock was reported in long supply. When repair decisions were made for these items, about 25,000 serviceable parts valued at $5.5 million were in long supply. These parts could have been used in lieu of the approximately 3,900 parts that were repaired during fiscal year 1977 and saved about 8,900 labor hours costing $326,000.

Although opportunities to save labor hours on these 25 items have been lost, the potential for future savings still exists. For example, as of February 1978, 21 of the 25 items had about 27,000 parts in long supply. Use of these parts during future periods would free about 13,000 labor hours costing approximately $461,000.

Similarly, we analyzed 25 items repaired at the Red River Army Depot to determine the potential savings that could result from use of available quantities. As of May 1978, the Tank-Automotive Readiness Command reported that these items had about 48,000 serviceable parts in long supply valued at approximately $5 million. Included in the long supply total were about 19,000 excess parts valued at approximately $2 million. Use of the long supply and excess material to preclude future repairs would free about 74,000 direct labor hours costing approximately $1.6 million.

The following table summarizes the future savings that could result from using available long supply quantities to preclude repairs.

Depot	Items analyzed	Available long supply quantity (note a)	Future savings	
			Labor hours	Cost
Corpus Christi	21	26,486	13,131	$ 460,773
Red River	25	47,925	74,059	1,578,983
Total	46	74,411	87,190	$2,039,756

a/The stated quantities are based on supply positions as of February 1978 for Corpus Christi and May 1978 for Red River.

On the basis of the above results, we estimate that as many as 776,000 labor hours could be saved in future years by using the 662,000 parts that are available to preclude repairs for the 2,180 items being repaired at the two depots. The total cost of the labor hours saved would be about $18 million.

EXAMPLES OF REPLACEMENT OPPORTUNITIES

Neither maintenance activities nor commercial contractors were making extensive use of available serviceable quantities when repairing major components or end items.

For example, at the Corpus Christi Army Depot, a transmission case (National Stock Number 2840-00-971-6286) was repaired during fiscal year 1977 as part of the overhaul of the UH-1 helicopter transmission. During fiscal year 1977, 702 transmission cases were repaired when 149 serviceable cases were reported in long supply by the Army Troop Support and Aviation Readiness Command. Had these parts been used to preclude repair, 2,260 direct labor hours costing $55,000 could have been freed.

In some cases, sufficient serviceable parts were available to preclude all repairs during fiscal year 1977 and beyond. For example, during fiscal year 1977, the Corpus Christi Army Depot repaired 574 planetary shaft nuts (National Stock Number 5310-00-624-5251) at a total cost of over $2,100. At the time of these repairs, 17,611 serviceable shaft nuts were reported in long supply. If repairs continue at the fiscal year 1977 rate, sufficient parts are available to preclude all repairs for the next 31 years. Total future savings over this period would approximate $65,000 and 2,800 direct labor hours.

At the Red River Army Depot, we identified 995 oil cooler housings (National Stock Number 2815-00-455-9503) that were repaired during fiscal year 1977 as part of the 465 engine used in the 5-ton truck. As of May 1978, the Tank-Automotive Readiness Command reported 2,497 oil cooler housings in long supply. Use of these oil cooler housings to preclude future repairs will free about 7,000 direct labor hours valued at $147,000.

In another instance, we found that the Army Troop Support and Aviation Readiness Command did not routinely notify the CH-54 helicopter overhaul contractor that serviceable quantities were available to preclude repair. As of February 1978, the Army Troop Support and Aviation Readiness Command reported about 82,000 CH-54 helicopter serviceable long supply parts, valued at approximately $7.6 million, that were available to preclude repairs to 175 items. Included in the long supply parts were 48,000 excess parts valued at $4.9 million.

WHY REPLACEMENT QUANTITIES ARE NOT USED

The Army recognizes the advantages of using available replacement quantities rather than repairing items, but has not identified all replacement opportunities and changed its normal repair practice to take advantage of these opportunities. It has not developed effective procedures

for identifying repair actions, notifying depots that replacement quantities are available, and matching repair actions with available quantities.

Component parts are unnecessarily repaired at the Red River Army Depot because the Tank-Automotive Readiness Command is not notifying the depot when long supply and excess quantities are available. At the Corpus Christi Army Depot, unnecessary repairs are occurring in spite of efforts by the Troop Support and Aviation Readiness Command to notify the depot that parts are available. This is because the depot is unable to effectively match long supply quantities with repair actions.

Officials at both commands cite the lack of (1) procedures for making long supply and excess parts available to depots and (2) a system that identifies repair actions and matches them with available parts as the primary causes for not following the regulation. Further, officials told us they were not aware of any system, operational or planned, that would provide the depots with the capability to match available replacement quantities with repair actions.

In discussions with 32 item managers at the Army Troop Support and Aviation Readiness Command, we found that most thought long supply and excess parts could be made available to depots and used in place of repair, but they were unaware of any requirement or procedure to do so. However, as the result of an Army Audit report in 1972, a computer application was developed at the command that identified long supply parts to the depot by means of a computer tape. This procedure was not effective because the depot was not able to identify concurrent repair actions and match them with available replacement parts.

Difficulty in identifying repair actions results because concurrent repairs to components during end item overhaul cannot be readily identified. The problem exists because maintenance of end items is funded in total and the cost of repairing component parts is not accumulated separately.

For example, production control number EQG designates overhaul of the UH-1 helicopter transmission at the Corpus Christi Army Depot. A component of the transmission is the bevel gear support case assembly (National Stock Number 1615-00-874-0860). All time to rework the bevel gear support case assembly and other transmission parts is charged to the production control number. The maintenance reporting system reports only total charges and number of end items produced;

it does not identify the components repaired. Thus, the depot has no means of readily identifying concurrent repair activity of component parts.

During fiscal year 1977, long supply parts for the bevel gear support case assembly totaled 337. Had an effective system existed to match long supply parts with parts subject to concurrent repair, the Army could have used available quantities and saved 549 labor hours costing $12,169.

PRIOR ARMY AUDIT REVIEW ALSO IDENTIFIED UNNECESSARY REPAIRS

Unnecesssary repair is not a new problem in the Army. In April 1972, the Army Audit Agency reported that the Corpus Christi Army Depot was repairing or contracting for repair of unserviceable components when like serviceable items were in long supply or excess within the Army supply system. The report went on to say that future savings of over $1 million were possible if the depot used available serviceable stocks in lieu of repairing unserviceable like items.

The report contained the following recommendations:

--Requisition and use excess, potential excess, and long supply serviceable items in lieu of repairing unserviceable items.

--Coordinate with the inventory control point in establishing procedures to identify serviceable assets in long supply that could be used in lieu of repair.

--Reemphasize maintenance shop responsibilities to screen and use potentially excess parts reported to the Defense Logistics Service Center.

Depot officials agreed with the recommendations and, according to the report, corrective action was taken. However, our current review showed that unnecessary repairs still are occurring.

RECOMMENDATIONS

In order to avoid unnecessary repairs, the Army needs to develop a system that will match long supply and excess

parts with repair actions. Accordingly, we recommend that the Secretary of the Army

--establish procedures for identifying parts that are being repaired concurrently with its next higher component,

--establish procedures to insure that inventory control points notify depots when replacement parts are available to preclude repairs,

--implement a system that will mechanically match concurrent repair actions with available replacement parts, and

--institute procedures that will identify opportunities to save contract repair dollars by making long supply and excess parts available to repair contractors.

AGENCY COMMENTS

The matters covered in this chapter were discussed with officials of the Army Materiel Development and Readiness Command. They generally agreed with our findings and recommendations, although they did mention that developing and implementing a system to match repair actions with available replacement parts will be a difficult task from a procedural standpoint.

The officials also noted that it may not always be cost effective to replace rather than repair unserviceable items. We agree that before deciding to replace rather than repair particular items, the Army must consider such factors as (1) cost and extent of repairs, (2) quantity of replacement assets available, (3) cost of supplying serviceable assets to the repair activity, and (4) cost of returning unserviceable parts to supply warehouses. This in no way detracts from the basic principle that, where feasible, the Army should take advantage of opportunities to use serviceable long supply or excess parts in place of repairs.

CHAPTER 3

OTHER PROBLEMS CONCERNING THE USE OF LONG SUPPLY AND EXCESS ASSETS

In addition to the lack of a system for matching repair actions with available replacement parts, our review showed that there were other problems associated with the use of long supply and excess assets. They include the following:

--Instances were noted where item managers scheduled unserviceable parts for repair even though large quantities of serviceable long supply and excess parts were available.

--Many parts regularly repaired at the depots during end item maintenance are classified by the Army supply system as nonreparable and would be disposed of if replaced by serviceable parts in long supply. In some cases, these parts should be classified as reparable and retained so that they can be scheduled for repair if requirements increase and sufficient serviceable parts are not available to satisfy expected needs.

--The Army Industrial Fund costing system requires that the stock list price of a replacement part be charged to repair of the end item. Since the stock list price is generally higher than the repair cost, the end item repair cost is increased by this difference. This penalizes depot managers for using long supply parts.

--Depot officials state that long supply requisitions have been denied because unexpected demands caused the stock to be unavailable. Our tests showed, however, that this was not a major problem.

UNNEEDED SCHEDULED REPAIR PROGRAMS

Repair programs are being scheduled for items when stock levels exceed requirements and serviceable parts are reported in long supply. Unneeded scheduled repairs are occurring because effective procedures for timely changes to scheduled repair programs have not been developed that react quickly to changes in computed requirements. This condition exists, in part, because the changes in requirements quantities have not resulted in a corresponding change in scheduled overhaul programs.

Important underlying problems involve (1) matching repair programs with asset stocks, especially those in long supply and (2) providing sufficient management attention to quickly reduce or cancel repair programs as stock positions change from short to long supply. The following example demonstrates how a lack of quick response to changing requirements caused unnecessary depot repairs.

In fiscal year 1978, the Army Troop Support and Aviation Readiness Command scheduled the repair of 18 tail booms for the AH-1 aircraft (National Stock Number 1560-00-181-4784) at a total cost of $135,685. As of March 9, 1978, the item had a requirements objective of 53 units and onhand serviceables of 79 units. In addition, the command had scheduled 35 tail booms for repair during fiscal year 1979 at a cost of $263,832 and 35 additional tail booms for repair in fiscal year 1980 at a cost of $263,832. Since the item was in long supply, we asked Troop Support and Aviation Readiness Command officials to review the need for the repair programs.

The item manager did not obtain a supply control study on this item from October 1977 until March 20, 1978. During this time, the requirements and stock position shifted to long supply, yet repair programs were still scheduled. After we apprised responsible officials of the existence of long supply quantities, action was taken that (1) canceled the remainder of the fiscal year 1978 repair program and the entire fiscal year 1979 program and (2) reduced the fiscal year 1980 repair program from 35 to 20 units. This action resulted in a savings of $482,435 in repair costs for the tail booms.

The Tank-Automotive Readiness Command also had scheduled items for repair when serviceable long supply quantities were available. For example, as of June 1977 the command reported that 11,386 flanges (National Stock Number 2520-00-734-6802) were in long supply. However, the command directed the repair of 11,012 flanges at a total repair cost of $76,607, and repairs were started on June 28, 1977. When repairs were completed at the end of May 1978, 15,920 flanges were reported in long supply; about 5,000 of these were excess to needs.

PARTS CLASSIFIED AS NONREPARABLE ARE BEING REPAIRED

An unserviceable item reported as nonreparable is generally not to be repaired; instead, the part is to be disposed of and replaced with a new serviceable part.

However, we found that many of these items with long supply parts available can and are being repaired at the depots.

About 1,900 items subject to repair at the Corpus Christi Army Depot had long supply serviceable parts available for use in place of repair. Although all of these items are regularly repaired, the Army supply system categorizes about 1,600 of them as nonreparable.

The Red River Army Depot had similar cases. For example, 305 serviceable output gear assemblies (National Stock Number 2520-00-699-8000) were reported in long supply as of May 1978. The gear assembly is concurrently repaired at the Red River depot as part of the M-88 tank but is coded in the Army supply system as nonreparable. The gear assembly stock list price is $870; repair cost is about $374 per unit.

It appears to us that parts currently coded as nonreparable should be more properly coded as reparable if they are regularly repaired at the depots and the repair cost is less than the purchase price.

Such parts can be scheduled for repair if requirements increase and sufficient serviceable parts are not available to satisfy expected needs. Repairing these parts would reduce or eliminate buying new parts to satisfy these future requirements. Under the current supply system, unserviceable parts coded as nonreparable are disposed of and not available for repair when replaced with long supply parts.

FUNDING PRACTICES PENALIZE MANAGERS FOR USING LONG SUPPLY

Industrial fund cost practices encourage depot managers to repair rather than replace parts, even when long supply serviceable parts are available. If parts requisitioned from the supply system are used, the stock list price of the parts must be charged to the end item repair program. However, when the same item is concurrently repaired, only the cost of the repairs is charged to the end item. This concurrent repair cost is usually significantly less than the part's stock list price.

For example, the Troop Support and Aviation Readiness Command reported 1,293 inner couplers (National Stock Number 1615-00-069-3327) in long supply during fiscal year 1977. Fiscal year 1977 repair costs for 546 couplers totaled about $5,000. Under the industrial fund concept, if the couplers were replaced, the stock list price would have been charged to the appropriate production control

numbers in lieu of the $5,000 repair cost. The stock list price of 546 couplers totaled $94,000.

The Navy, in comparison, has adopted a procedure for allowing credits when using replacement parts instead of making concurrent repairs. Under the Navy system, utilizing parts obtained from supply is offset by an exchange credit received when an unserviceable part is returned to supply. Thus, Navy depot managers have an incentive to use available parts and also to turn in unserviceable parts that later can be repaired if needed to satisfy future requirements.

REQUIREMENT FLUCTUATIONS AFFECT STOCK AVAILABILITY

According to depot personnel, fluctuations in available quantities discourage requisitioning and utilizing available serviceable parts. They stated that requisitions have been denied in the past because the requisitioned quantity was not available. This results when requirements change due to unexpected demands.

Although it is recognized that available quantities will change as requirements fluctuate, we found that this is not a major problem. For example, we checked 37 items repaired at the Corpus Christi Army Depot during fiscal year 1977 and noted that 25 of the items had long supply serviceable quantities at both the beginning and the end of the fiscal year. Further, implementation of a system to identify and match available quantities with repair actions would provide depot personnel and material management personnel with necessary visibility to insure availability of parts reported in long supply or excess.

RECOMMENDATIONS

We recommend that the Secretary of the Army take the following actions on the matters discussed herein relative to scheduled repair programs, nonreparable classifications, and unserviceable part returns:

--Adopt procedures to insure that item managers do not schedule repair programs for items in long supply.

--Set up a more timely reporting system that will alert item managers that scheduled repairs are no longer needed and can be canceled because stock positions have changed from short to long supply.

--Determine whether items regularly repaired but classified as nonreparable should be classified as reparable.

--Insure that unserviceable parts resulting from replacement actions are retained and, if necessary, scheduled for repair to satisfy future requirements for serviceable parts.

--Change industrial pricing procedures to eliminate cost disparities caused by utilizing parts in long supply.

AGENCY COMMENTS

As in chapter 2, officials of the Army Materiel Development and Readiness Command generally agreed with our findings and recommendations. However, they stated that scheduling repairs for items in long supply is due more to a failure to follow established procedures than to a lack of procedures and that the need to follow them has to be emphasized to item managers. On the matter of classification, the officials stated that there is an ongoing effor to determine the proper classification of all items. This study is scheduled to be completed in fiscal year 1981.

CHAPTER 4

SCOPE OF REVIEW

We evaluated the procedures and practices followed in making replace or repair decisions. Our review was conducted at agency headquarters, two inventory control points, and two maintenance depots. The two depots were the Corpus Christi and Red River Army Depots. Corpus Christi overhauls helicopter and related components, and Red River overhauls tactical and combat vehicles.

Logistics information on long supply and excess material which might be used at these depots was obtained from the Army Troop Support and Aviation Readiness Command and the Army Tank-Automotive Readiness Command. We also obtained logistics information on long supply and excess material which might be used in one Army overhaul contract.

We examined pertinent regulations, manuals, records, and supporting documentation pertaining to the management and repair of selected items. Information was also obtained through discussions with various operating personnel and responsible officials.

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