

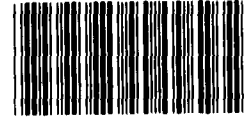


UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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MSA

LOGISTICS AND COMMUNICATIONS
DIVISION

OCT 8 1980



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General John R. Guthrie
Commanding General
Army Materiel Development and
Readiness Command

Dear General Guthrie:

Subject: [Opportunity to Improve the Army's Stock
Distribution Practices] (LCD-80-116)

This letter is to advise you of the results of our survey of shipments from Army supply depots to U.S. and overseas customers. The purpose of our study was to determine whether depots were being selected in a manner that would minimize transportation costs and shorten pipeline time.

The Army's system for making shipments from the most economical depot works well based on our limited sample of items shipped from three depots. However, we observed two practices requiring management attention. We bring these practices to your attention because such weaknesses may be common to all of your readiness commands.

Our work was performed at the Army Troop Support and Aviation Materiel Readiness Command (TSARCOM), St. Louis, Missouri; the Tank-Automotive Materiel Readiness Command, Detroit, Michigan; and Headquarters, Army Materiel Development and Readiness Command, Alexandria, Virginia.

Need For Improved Management
of Depot Stocks

There is a lack of coordination and communication between item managers and procurement personnel during the procurement and positioning of stocks to the area oriented depots. This resulted in numerous shipments being made from one depot to supply the customers of another depot. Consequently, shipments to customers were delayed and there were unnecessary transportation costs.

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For example, on June 22, 1979, TSARCOM bought 1,664 generator covers. These covers were to be shipped to the New Cumberland Army Depot, New Cumberland, Pennsylvania and Sharpe Army Depot, Lathrop, California by January 30, 1980. However, an alternate delivery schedule was contracted for without consulting the item manager who initiated the procurement order. The alternate schedule called for all shipments for the first 6 months to be sent to New Cumberland. As a result, Sharpe remained at or near a zero balance for over a year. Consequently, requisitions to Sharpe were filled from New Cumberland causing delays in shipments to customers and increases in transportation costs. An Army official agreed that in retrospect they should have agreed on an alternate delivery schedule with the item manager prior to finalizing it in the contract.

In other instances, item managers were not stocking items in the designated area oriented depot. This practice also caused shipments to be made from depots other than the designated area depot. As a result, customers waited longer to receive shipments and transportation costs were increased.

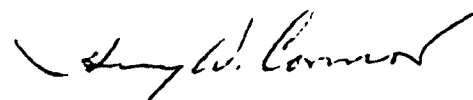
For example, Sharpe had over 4,000 standard military engine parts for about a year while the Red River depot was at or near a zero balance. During this period, Sharpe was filling requisitions which should have been filled by Red River. This situation resulted because the item manager was not routinely reviewing the distribution of his depot stocks due to other work demands. The item manager has directed a transfer of stock from Sharpe to Red River, as a result of our inquiry.

These and other similar examples were called to the attention of responsible officials. They agreed that improvements were needed in positioning stocks in the proper depot. We were told that item managers would be instructed to make a manual review of their items to correct stock imbalances that caused shipments to be made from other than the designated area depot.

Army officials also said that they are considering a recently developed computer program which would periodically identify items for inter-depot transfer that were significantly out of position. The program would give item managers greater visibility and control over their depot stocks.

We would appreciate any views you might have on these matters. We also thank you for the cooperation we received from your personnel during our audit effort.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Henry W. Connor".

Henry W. Connor
Associate Director