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STATEMENT OF

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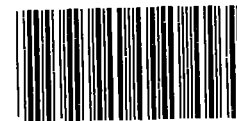
BEFORE THE

SUBCOMMITTEE ON LEGISLATION AND NATIONAL SECURITY

HOUSE COMMITTEE ON GOVERNMENT OPERATIONS

ON

CONVENTIONAL AMMUNITION MANAGEMENT



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Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to appear before your Subcommittee to discuss Department of Defense progress in centralizing the management of conventional ammunition and the Military Services care and maintenance of conventional ammunition.

As you know, we issued a comprehensive report on centralized ammunition management about 2 years ago and discussed the status of the program in our June 1981 report on DOD's fiscal year 1982 ammunition program. Department of Defense progress toward fully implementing the single manager concept has been at a virtual standstill for the past three years. We believe the concept is sound and if fully implemented, peacetime ammunition management will be more efficient and economical. More important, however, greater central control over inventory management should enhance military readiness by improving Defense-wide logistics support in the event of war.

BACKGROUND

The idea of a centralized management for conventional ammunition is not new. After World War II and the Korean conflict, the idea was discussed, but not adopted. During the Vietnam War, the need for improved ammunition management again came to the forefront. Ammunition plants were not adequately maintained resulting in unexpected delays, inefficiency, high cost, and unreliability. Further, centralized information on

ammunition production and inventories was not available. As a result, the Secretary of Defense became involved in ammunition management both personally and through an expanded Office of the Secretary of Defense staff to intensify control over ammunition requirements, production and inventory.

This started a chain of events which culminated in establishing a Single Manager for Conventional Ammunition. We have attached a chronology of the key events to this statement. I will recap them briefly.

First, DOD directed the Logistics Management Institute to conduct a study of management and operation of the ammunition production base. That study was concluded in 1970 and recommended improved central coordination to avoid unnecessary facility duplication and different ammunition products or processes. The services then formed a panel which completed a one-year, comprehensive study in 1972 and recommended that the military services coordinate and take joint action on conventional ammunition programs and activities. The Joint Logistics Commanders implemented the recommendation by establishing the Joint Conventional Ammunition Production (JCAP) Coordinating Group. We issued a report on ammunition management in 1973 recommending that ammunition management be centralized under one service or in a separate defense agency.

Initially DOD thought that the JCAP organization could bring about the needed improvements. But, in March 1975, DOD advised the services that single manager would be established because committee-type management could not meet the desired objectives.

There were many iterations of the draft directive between the March decision and the formal release of DOD Directive 5160.65 in November 1975. What finally emerged was a compromise directive between full centralization as recommended in our report and what the services would agree to. The single manager objectives were to:

"Integrate conventional ammunition logistics of the Military Departments to the maximum extent practical thereby eliminating unwarranted overlap and duplication; and

Achieve the highest possible degree of efficiency and effectiveness in the DOD operations required to provide top quality conventional ammunition to U.S. forces during peacetime and mobilization."

Implementation was planned to occur in two phases with Phase I starting in fiscal year 1977 and Phase II in fiscal year 1979. The Phase I target was met, but unfortunately DOD is still working on the details for Phase II.

PROGRESS UNDER PHASE I

Although our testimony emphasizes the need for further implementation we recognize that much has already been done. Phase I demonstrated the feasibility, economy and effectiveness of centralized management. Numerous details such as policy and computer interface were worked out, control over Navy production facilities was transferred to the single manager, a serious problem with Navy inventory (security, safety, record accuracy and inefficiencies in storage) which could impact readiness is being addressed and the single manager claims cost avoidances of up to \$200 million.

Most of the cost avoidances are through reutilization of excess and long supply assets. These savings were accomplished by merely transferring ownership of items from one service to another as a result of the single managers' requirements aggregation process. For example, a trade involving Marine Corps mortar ammunition and Army howitzer ammunition resulted in procurement avoidance of \$41 million. In another example, \$13.7 million was saved by modifying Army flares for Navy use. Transportation and handling economies accrued through shipment consolidations and using the least cost method of transportation consistent with requisition priorities.

Phase I has established the framework for achieving the objectives of DOD Directive 5160.65 i.e., 1) integration of conventional ammunition logistics functions to the maximum extent practical, and 2) achievement of the highest possible degree of efficiency and effectiveness during peacetime, surge and mobilization. Phase II is needed to achieve these objectives.

PHASE II STATUS

As the Committee is aware, Phase II has not been implemented despite the fact that OSD, the single manager and Army have steadfastly contended that further implementation is needed. Their views are clearly stated in hearings before the Defense Subcommittee of the House Appropriations Committee for fiscal years 1980, 1981 and 1982.

Our 1979 report recommended the following actions to establish effective centralized management:

- Place the single manager organization directly under the Secretary of the Army and provide a small multiservice liaison staff in the Washington area.
- Provide funds to the Army for the incremental costs it incurs carrying out the single manager mission.
- Assign all conventional ammunition items to the single manager.
- Make the single manager responsible for procuring and/or producing all conventional ammunition items which have passed from research and development into production regardless of the production quantity.
- Make the single manager responsible for establishing, modifying, maintaining, modernizing, and disposing of all conventional ammunition production capacity, including initial production facilities.
- Authorize the single manager to review and approve the services' 5-year defense programs to achieve procurement economies and optimum use of the ammunition production base.
- Require the single manager to review and approve all funding requests for enhancing ammunition production facilities retained by the services.
- Assign responsibility to the single manager for operating a single national inventory control point and a national maintenance point to provide

DOD-wide integrated inventory and maintenance management.

- Designate the single manager as owner of the ammunition in the wholesale inventory.
- Require the single manager to apply the principles of vertical stock management for inventory management.
- Assign the project manager for production base modernization and expansion to the single manager, after the single manager's organization is strengthened.

The single manager and Army agreed with our recommendations, while DOD agreed only in part. A panel of ammunition experts convened by DOD to determine what needed to be done in Phase II identified issues similar to ours. The only major departure was in the need for a single national inventory central point. Attempts by OSD to move into Phase II have resulted in strong resistance from the services.

OSD testified in July 1981 on the actions it planned to take on GAO's recommendations. Then, in August 1981, it circulated a revised DOD Directive 5160.65 to the Services for their views.

The August draft directive, in our opinion, had it been implemented would have provided a large part of the type of charter that the Single Manager needs to effectively discharge his mission. Based on Service objections a "watered down" proposal prepared in October is now being recirculated. This proposal contained some changes such as:

- Assigning principal OSD staff responsibility for single manager activities to the Assistant Secretary of Defense (Manpower, Reserve Affairs and Logistics).
- Requiring the Secretary of the Army to include a dedicated single manager for conventional ammunition management organization located in the National Capitol Region with Joint Service staffing and support for centralized control of single manager operations.
- Obtaining single manager advice in the preparation of the 5-year acquisition programs of the Military Services.
- Providing the single manager with approved ammunition programs and funds no later than 60 days after receipt from OSD.

In our opinion, the directive falls far short of assigning the single manager the responsibility and authority needed to effectively manage this area. The major areas still in need of management attention include:

- Proper placement of the Single Manager (currently planned under DARCOM).
- Ownership and visibility over stocks assigned to the Single Manager.
- Single manager control over budgeted funds and ammunition programs.
- Services retaining control over certain ammunition items and in some cases controlling initial production facilities.

It appears that implementation has reached an impasse with little likelihood that further progress will be made. The recommendations in our 1979 report have been largely ignored despite repeated prodding by the Defense Subcommittee of the House Committee on Appropriations. The services have opposed implementing Phase II from the outset and continue to do so.

Factors which led to the need for centralized management have not changed. Therefore, we continue our support of centralized management as the means by which to maximize efficiency and economy during peacetime and provide the framework for the intensive management needed during a war. In periods of surge and mobilization, the single manager could, if fully implemented, aggregate and rank priorities for ammunition according to information from higher authorities. He would then be in a position to manage these priorities to meet overall national goals especially when demand exceeds supply.

CARE AND MAINTENANCE OF
CONVENTIONAL AMMUNITION

Since most munitions are produced long before their ultimate consumption, proper storage, maintenance, and renovation are necessary to assure that the ammunition is in usable condition when needed.

The military services' inventories of conventional ammunition are very large and represent considerable investments. At the end of fiscal year 1980, DOD's worldwide inventories amounted to 4.2 million tons. Of this total, about 2.3 million tons belonged to

the Army, 1 million tons to the Navy, and 900,000 tons to the Air Force.

[We are nearing completion of a review of various aspects of the military services' care and maintenance programs for conventional ammunition.] We made this review at the request of the Chairman, House Committee on Appropriations' to:

- Identify the nature and seriousness of the services' problems with storage, preservation, and renovation of conventional ammunition, and
- Assess the actions being taken by the services to correct the problems.

Our review covered locations in the United States, Europe, and the Pacific. Because of the large number of activities visited, we did not have time to perform in-depth, detailed reviews at the individual locations. Therefore, the data we gathered was not based on a scientific random sampling of ammunition storage locations, conditions, or quantities, but rather judgment samples designed to illustrate the problems and their impacts and to give the broadest possible coverage in the available time.

[We found that serious problems exist among the military services concerning the adequacy with which ammunition is being stored, maintained, and renovated.] I would like to summarize our major findings in each service.

ARMY

[The first problem we noted involves the Army's estimate of the amount of ammunition in storage that needs to be renovated before

it can be used. At the time of our review, the Army estimated that more than 111,000 tons of conventional ammunition was in need of renovation. To reduce the backlog to a manageable level, the Army plans to spend more than \$230 million in fiscal years 1982 through 1985. We have serious doubts as to the accuracy of the Army's estimates of its renovation backlog and related funding needs because they are based on an undocumented assumption concerning the actual condition of a substantial amount of ammunition.

Army officials could not provide us any studies, data, or other documentary support for their assumption that 50 percent of the ammunition in condition code E--needing only minor maintenance--would actually require renovation. During our visits to storage sites, we made limited tests of the accuracy of condition codes assigned to the ammunition by asking service technicians to reinspect and classify the ammunition by condition code. We found improperly assigned condition codes for only eight of the 147 items tested. Admittedly, our sample was very small and therefore not conclusive. However, it does raise questions about the validity of the Army's 50 percent assumption.

The Army also has inadequate maintenance capability to keep pace with the generation of unserviceable ammunition in Europe.

At present, the Army has two primary ammunition maintenance facilities in Europe; one at Miesau Army Depot, Germany, and the other at Caerwent Army Depot in the United Kingdom. Together Miesau and Caerwent were able to process an average of 16,455 tons of unserviceable ammunition each year from fiscal year 1973

through 1979 and during this period the Army began to lose ground against the increasing amount of ammunition in need of maintenance. Reliance on the Army's current maintenance capability would result in this maintenance backlog's steady growth from the current 67,000 tons to 84,000 tons in fiscal year 1987.

The Army plans to construct additional maintenance facilities in Europe which will enable them to keep pace with future generations of unserviceable ammunition which are expected to exceed 20,000 tons a year. If these planned increases in maintenance capability are realized, this situation should begin to improve in fiscal year 1984. However, if the increased maintenance capability is not acquired, or is delayed, the result will be a continually increasing backlog of unserviceable ammunition.

(Another problem noted in the Army involves its substandard ammunition storage facilities in Europe and an overall shortage of storage to fulfill long-term requirements.)

Ideally, ammunition should be stored in humidity controlled warehouses and earth covered igloos which safeguard casings and fuzes from excessive temperature fluctuations, inclement weather and other corrosive elements. At four ammunition storage activities visited in the United States, and two in the Pacific, storage facilities were found to be adequate. Ammunition did not appear to be deteriorating due to poor storage conditions. The same cannot be said, however, for Army ammunition prepositioned in European storage depots.

In Europe, ammunition is stored in a variety of facilities, many of which are "make do" type buildings that were not designed for storing ammunition. Other facilities have deteriorated to the point that they no longer adequately protect the ammunition.

We toured storage facilities at the Army's largest ammunition storage area at Miesau and Weilerbach in West Germany. We also examined storage conditions at Caerwent Army Depot in South Wales and Camp Darby, in Northern Italy. The storage facilities and the ammunition at Camp Darby are both relatively new and in very good condition. But at Caerwent and Miesau we found large quantities of ammunition which were rapidly deteriorating because of poor storage conditions.

During 1978, the Army Chief of Staff established an objective of having the Army's total requirement of prepositioned war reserves of conventional ammunition in Europe by the end of fiscal year 1983. This objective was based on the assumption that the Congress would continue to fund a major portion of the storage space required in Europe for conventional ammunition; however, in passing of the FY 79 Military Construction Act, the Congress reduced the Army funding request for ammunition sites in Europe by \$17 million and directed that future funding for this purpose be obtained through the NATO Infrastructure Program.

At the time of our review, the Army estimated that approximately 70 percent of the needed capacity would be available at the end of FY 83, based on currently funded military construction programs, and taking into consideration ammunition storage

capacity which was scheduled to become available through FY 83 from renovation of old storage sites and other anticipated funding. A lack of storage space precluded meeting the total Army objective any time during the FY 82-86 program period. In fact, the Army's most optimistic expectations regarding receipt of NATO funding are that the objective will not be achieved until FY 89. Any slippages or reductions in NATO funding will further delay the time when the storage objective will be met.

NAVY

Next, I would like to discuss problems we found in the Navy. Although the Navy generally has adequate storage facilities for its conventional ammunition--both overseas and in the United States--it is experiencing problems in the care and maintenance of its ammunition.

The Navy's accountable records often do not accurately show the actual quantities or the true condition of ammunition in storage. Its inventory management system does not provide the required accountability to control large inventories of ammunition. For example, in a recent study of Naval ammunition accountability ^{1/} we reported that, based on inventories conducted at two naval weapons stations in the continental United States, \$7.4 million of ammunition shown on the Navy's accountable records could not be found. In addition, ammunition valued at \$1.4 million was found in storage but was not on the accountable records.

^{1/}"The Navy Must Improve Its Accountability For Conventional Ammunition" (PLRD-81-54), July 29, 1981.

(The Navy has also had problems in reconciling its records with those of the Single Manager for Conventional Ammunition.) In April 1980, the Navy made a \$46 million unreconciled downward adjustment to align its control records with the Single Manager's inventory. We found, however, that the Navy records still contain numerous discrepancies. For example, an additional \$3.5 million downward adjustment would be required to align their records with the inventory records at just one Single Manager storage depot. The lack of reconciliation of these inventories results in a serious weakness in accountability and control. More important, it could result in the inability to satisfy required delivery dates for ammunition needed by fleet and shore units.

In addition to accountability problems, (we also found that Navy records did not accurately show the true condition of stored ammunition.) This was particularly true at the locations visited in the Pacific. For example, we noted numerous items stored at both Lualualei, Hawaii, and Subic Bay, Philippines, that (1) had condition code cards which did not show the actual condition of the ammunition, (2) did not have condition code cards to show the status of the items, or (3) were stored so that condition codes were not accessible to inspection personnel. In addition, at Subic Bay many condition code cards had been exposed to the weather and were unreadable. These are serious problems since it is essential that managers know what ammunition is ready to issue and what ammunition needs to be scheduled for maintenance, renovation, or disposal.

In the continental United States inspection of Navy conventional ammunition at the wholesale level is performed by the Army because this ammunition is managed and stored by the DOD Single Manager for Conventional Ammunition. At overseas and retail storage locations the Navy performs the inspection function.

Part of the cause for the conditions we found can be attributed to the Navy's program for inspecting and condition coding ammunition in storage not being fully effective. Neither of the Pacific ammunition storage sites had an adequate program to inspect, test, and recondition their ammunition stocks. A Navy official at Lualualei, Hawaii, told us that inspection had not been performed in the individual magazines since 1974. At Subic Bay there is not sufficient staff to perform inspections in the storage magazines on a systematic basis. We believe that some of the Navy's weaknesses in the area of inspections and condition determinations are related to their practice of assigning military personnel, who lack ordnance training and expertise, to manage ammunition magazines. This lack of expertise and training is compounded by the lack of continuity resulting from turnover of military personnel about every 2 years. We believe that the Navy's inspection and storage program would be more effective with staff who have been trained in ordnance and have the level of knowledge to properly perform inspections and assign condition codes which indicate the actual condition of ammunition.

AIR FORCE

The only serious problem we noted in the Air Force concerns its present inadequate storage and maintenance capability in Europe.

Much of the Air Force's conventional ammunition in Europe is stored outside in open storage and its maintenance facilities are not adequately equipped to maintain and renovate ammunition which deteriorates from exposure to the elements.) As a result, needed maintenance has not been accomplished in a timely manner and maintenance backlogs of 1 to 3 years have accumulated on some ammunition items.

Maintenance facilities at Wenigerath, Welford, and Camp Darby are inadequate. The maintenance backlog at these locations has resulted primarily because the maintenance facilities are poorly designed and not equipped for the type and volume of maintenance which must be done. For example, the maintenance facility at Wenigerath, Germany, is a converted ammunition storage building. This building is not well suited for major corrosion control, which is the biggest maintenance problem at Wenigerath. It has no paint booth and no overhead lift equipment. In addition, it has inadequate heating and ventilation. Wenigerath officials have requested about \$1 million for a new maintenance/inspection facility.

The maintenance facility at Welford, England, is considered too small and not properly equipped for corrosion control. It also has no paint booth. A new maintenance facility is planned at Welford, but construction is not expected before FY 1984.

Officials at Camp Darby, Italy, said their maintenance facility is too small to handle the volume of maintenance which must be done. They also stated that the lack of reliable material handling equipment has had a large impact on both storage and maintenance, citing

that forklifts at Camp Darby are not operable at least half the time.

Air Force Headquarters officials informed us that they are programming new maintenance facilities at Welford, Camp Darby, and Wenigerath, along with a new bomb renovation plant to be located at Wenigerath. In addition, 134 munitions igloos are programmed for construction at various bases in Europe. If funded, these facilities will allow some munitions currently stored outside to be moved to inside storage, thereby reducing deterioration and the need for maintenance actions.

Mr. Chairman, that concludes my statement. I will now be happy to answer any questions you may have.

CHRONOLOGY OF KEY EVENTS
LEADING TO THE ESTABLISHMENT OF A
SINGLE MANAGER FOR CONVENTIONAL AMMUNITION

- January 1968 - DOD tasked the Logistics Management Institute (LMI) to develop a plan for an in-depth study concerning modernization or replacement of ammunition production facilities.
- July 1970 - LMI issued its report recommending improved central coordination to avoid unnecessary duplication in facilities and differences in manufacturing processes and ammunition end items.
- March 1971 - DOD tasked the services to develop a coordinated management system for the ammunition production base.
- May 1972 - The services Joint Conventional Ammunition Panel issued its report with numerous recommendations for achieving coordinated and upgraded management of the ammunition production base. The Joint Logistics Commanders promptly established the Joint Conventional Ammunition Production (JCAP) Coordinating Group.
- December 1973 - GAO issued a report "Effective Central Control Could Improve DOD's Ammunition Logistics" (B-176139, Dec. 6, 1973) recommending that the Secretary of Defense establish central management for all ammunition either by creating a new ammunition organization or by assigning this responsibility to one service. (See app. II.)
- March 1975 - DOD notified the services that the decision had been made to establish a Single Manager for Conventional Ammunition.
- November 1975 - DOD Directive 5160.65 was issued designating the Secretary of the Army as Single Manager for Conventional Ammunition.
- February 1976 - The services completed a single manager for conventional ammunition implementation plan.
- September 1976 - DOD advised services that the single manager concept would be implemented in two phases: Phase I (FY 77-78) and Phase II (FY 79-80).

- October 1977 - Single manager organization became operational
- November 1979 - GAO issued a report "Centralized Ammunition Management--A Goal Not Yet Achieved" (LCD-80-1, Nov. 26, 1979) discussing the progress being made toward centralizing the management of conventional ammunition within the Department of Defense and demonstrating that much more needs to be done. (See app. III.)

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

EFFECTIVE CENTRAL CONTROL COULD
IMPROVE DOD'S AMMUNITION LOGISTICS
8-176139

D I G E S T

WHY THE REVIEW WAS MADE

The logistics of the four military services for dealing with ammunition--ranging from rifle bullets to sophisticated bombs--is complex and unusual. Comparable products for the most part are not manufactured for civilian use; needs vary greatly in times of peace or war; and each service has its own system of procuring, maintaining, and distributing ammunition. Over \$21 billion was appropriated from 1968 to 1973 for ammunition.

These factors led GAO to study ammunition logistics in the Department of Defense (DOD).

FINDINGS AND CONCLUSIONS

In ammunition logistics the Army and Navy have the predominant DOD management roles. They control Government-owned ammunition production plants and storage facilities. GAO's review of key logistics functions of

- requirements determinations,
 - procurement,
 - production scheduling, and
 - storage and distribution
- showed that current management was

not satisfactory in terms of economy and efficiency.

GAO noted that:

- Improved exchange of information by the services on available ammunition could reduce funds appropriated for procuring ammunition.
 - More accurate budget requests could reduce funds appropriated for procuring ammunition. (See pp. 9 and 10.)
 - Improved procurement operations could avoid interservice competition for the limited private industrial capacities. (See p. 12.)
 - Defense-wide perspective in scheduling production, modernization, and mobilization could eliminate competition for appropriated funds. (See p. 14.)
 - Improved storage and distribution management could reduce transportation and handling costs (See p. 20.)
- Those objectives can be reached by Defense-wide planning that matches Defense-wide requirements with Defense-wide capabilities.

Stronger central management could help attain this Defense-wide perspective,

difficult as it is to bring about.

RECOMMENDATIONS

The Secretary of Defense should establish central management for all ammunition either by creating a new ammunition organization or by assigning this responsibility to one service. The central manager would be responsible for consolidating requirements for ammunition items determined by each service and for continuing through the inventory accounting, procurement, production, storage, and distribution functions. (See p. 26.)

The central manager should also work closely with the services' research and development organizations in planning future ammunition production.

AGENCY ACTIONS AND UNRESOLVED ISSUES

DOD agreed with GAO's conclusions that Defense-wide perspective in ammunition management needs improving.

DOD believes that this can be attained by establishing a Joint Conventional Ammunition Production organization consisting of a coordinating group and working committees operating under the Joint Logistics Commanders.

DOD recognizes the inherent disadvantages of such an organization, but it wants to give the organization an opportunity to demonstrate fully its management capability before considering alternatives.

GAO appreciates that several alternative organization concepts could be used to improve ammunition management. GAO feels that the Joint Conventional Ammunition Production

organization could work if it is given the responsibility and staffing needed to obtain effective central control of ammunition

Such an organization should, at least, be

- staffed with officials who appreciate Defense-wide needs and who are not restricted to service desires;
- authorized to make decisions for all service components involved in ammunition requirements determinations, procurement, production, storage, distribution, and modernization; and
- responsive and responsible to the Secretary of Defense rather than to the military departments.

The Secretary should set a reasonable test period for improving ammunition management with the present organization.

If, at the end of that period, ammunition management has not improved substantially, he should consider assigning responsibility for managing ammunition to one service or to a new organization with the authority and manpower to do an effective job.

MATTERS FOR CONSIDERATION BY THE CONGRESS

In peacetime, manufacture, storage, and safekeeping of ammunition can be an expensive drain on the economy. Its efficient and economical management is obviously always important.

Certain congressional committees may want to be kept advised of:

- How the Secretary of Defense will determine if ammunition management

APPENDIX II

is being improved by the Joint
Conventional Ammunition Production
organization.

--What he is doing to insure that
service competition no longer

APPENDIX II

interferes with ammunition manage-
ment.

--How much the military budget is
being reduced by improved ammuni-
tion management.

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESSCENTRALIZED AMMUNITION
MANAGEMENT--A GOAL NOT
YET ACHIEVEDD I G E S T

Much progress has been made since the Secretary of the Army was designated single manager for conventional ammunition in the Department of Defense (DOD), but he needs more control and a stronger position. The results can be millions of dollars saved and a system capable of providing the intensive management which is essential during a war.

Currently, control over ammunition management is fragmented between the single manager and the services. For example, the services

- maintain control over some conventional ammunition items (see p. 13);
- retain procurement and production responsibility for newly designed items (see p. 14);
- determine when, where, and how to establish production capacity for newly designed items (see p. 14);
- determine when and how much ammunition will be produced (see p. 17);
- develop and execute the program to improve ammunition production facilities (see p. 19);
- maintain retail inventory control points, thus adding 6 days to requisition processing time (see p. 22);
- have complete control over the retail inventory (see p. 22);
- retain ownership of assets in both the wholesale and retail inventory (see p. 23); and
- renovate ammunition (see p. 24).

Attempts to lay the groundwork for eliminating this fragmented management have encountered stiff resistance from the services.

- Central control over procurement and production functions will achieve greater efficiency and economy in peacetime operations. More important, greater central control over inventory management should provide for improved DOD-wide logistics support in the event of war.

In addition to more control, the single manager's position must be strengthened. Several problems with the existing organization preclude achieving further centralized ammunition management. The single manager organization lacks visibility, has limited communication channels, and must compete for resources with purely Army programs. It is principally staffed by Army personnel and is viewed by the services as parochial. Further, the single manager is unable to fully implement the concept within his own service--the Army. (See pp. 30 to 35.)

A need exists for increasing joint service participation, improving communication channels, elevating the organization, and limiting its responsibility to ammunition. To this end, the Office of the Secretary of Defense has prepared two draft directives concerning organizational change. One directive provides that the Secretary of the Army establish and organize a single manager operating agency for conventional ammunition as a major command of the U.S. Army. The other directive establishes a Defense Munitions Agency as a separate agency under DOD. (See p. 35.) Either alternative would substantially strengthen the single manager organization and set the stage for effective centralized management.

GAO favors the alternative of leaving the mission with the Army but elevating it to the Department of the Army level. Under this arrangement, operating activities can be at the U.S. Army Armament Materiel Readiness Command and other locations. However, it is essential that a Washington, D.C., command office be established for overall management direction.

The matter of funding single manager programs must also be resolved. Currently, the Army must fund these programs. However, certain programs benefit a service other than the Army. In times of fiscal austerity, the Army may not be inclined to fund single manager programs from which it derives limited benefits.

RECOMMENDATIONS

To provide the single manager with more control, the Secretary of Defense should:

- Assign all conventional ammunition items to the single manager. (See p. 27.)
- Make the single manager responsible for procuring and/or producing all conventional ammunition items which have passed from research and development into production, regardless of the production quantity. (See p. 27.)
- Make the single manager responsible for establishing, modifying, maintaining, modernizing, and disposing of all conventional ammunition production capacity, including initial production facilities. (See p. 27.)
- Require the services to transfer all funds appropriated for ammunition procurement to the single manager upon receipt from the Office of the Secretary of Defense. (See p. 27.)
- Authorize the single manager to review and approve the services' 5-year defense programs to achieve procurement economies and optimum use of the ammunition production base. (See p. 27.)
- Require the single manager to review and approve all funding requests for enhancing ammunition production facilities retained by the services. (See p. 28.)
- Assign responsibility to the single manager for operating a single national inventory

control point and a national maintenance point to provide DOD-wide integrated inventory and maintenance management. (See p. 28.)

--Designate the single manager as owner of the ammunition in the wholesale inventory. (See p. 28.)

--Require the single manager to apply the principles of vertical stock management for inventory management. (See p. 28.)

--Direct the Secretary of the Army to assign the project manager for production base modernization and expansion to the single manager, after the single manager's organization is strengthened. (See p. 28.)

To strengthen the single manager organization, GAO recommends that the Secretary of Defense direct the Secretary of the Army to establish a Department of the Army level activity to manage ammunition. (See p. 37.)

The Secretary of Defense should also provide the Army with sufficient funds to cover the additional costs in carrying out the single manager functions. (See p. 37.)

AGENCY COMMENTS

GAO did not receive official written comments from the Office of the Secretary of Defense in time to include them in this report. The reason for the delay is that GAO's recommendations cover several disciplines, e.g., acquisition, logistics, and finance, thus necessitating study and analysis by several organizations with requisite expertise in the Office of the Secretary of Defense and input from the single manager and the services. However, DOD officials stated that considerable agreement with GAO's recommendations has been achieved, but a uniform position has not been reached by DOD.

INTEREST BY HOUSE COMMITTEE ON APPROPRIATIONS

The House Committee on Appropriations is monitoring progress of the single manager for

conventional ammunition. The Committee discussed single manager progress and problems during its hearings on DOD appropriations for 1980. In its report on the DOD appropriations bill for 1980, the Committee expressed the desire that the single manager for conventional ammunition concept succeed. Further, the Committee expressed its intention to review DOD's response to the GAO report. GAO will provide the Congress with its analysis of the DOD response.