NATIONAL SECURITY AND
INTERNATIONAL AFFAIRS DIVISION

APR - 8 1985

B-217803

The Honorable Lawrence J. Korb, Jr.
Assistant Secretary, Manpower,
  Installations and Logistics
Department of Defense

     Subject: Potential For Improving Depot Maintenance
                Productivity Measurement and Reporting
                (GAO/GGD-85-49)

Dear Dr. Korb:

     On December 18, 1984, we briefed your principal deputy,
Mr. Jerry L. Calhoun, on the results of our review of produc-
tivity measurement and reporting systems for the Department of
Defense's (DOD) depot maintenance activities. This letter sum-
marizes our findings and proposals and confirms our understanding
of the agreements reached (see enclosure) as a result of our
briefing.

     The Office of the Secretary of Defense (OSD) currently uses
the Defense Productivity Program Office (DPPO) measurement system
to collect depot maintenance productivity data from each of the
military services. This information is reported to the Bureau of
Labor Statistics (BLS) for inclusion in its Federal Government
Productivity Summary Data Package. However, DPPO officials have
described the data they receive from the services as inconsis-
tent, incomplete, and potentially unreliable. We do not believe
this data meets the needs of defense maintenance and resource
managers. For example, an OSD Comptroller official told us the
DPPO data is "virtually useless" for OSD Comptroller management
purposes.

     We believe that another system functioning within DOD--the
Depot Maintenance and Maintenance Support Cost Accounting and
Production Reporting System (DOD 7220.29-H)--could be used to
develop more consistent, complete, and reliable productivity
data, thereby better serving OSD's external reporting requirement
and its internal management needs. The DOD 7220.29-H system has
been primarily used to accumulate depot maintenance costs and
review budget allocations.

(910367)

On the basis of our audit work at one aviation maintenance depot from each of the three services and their respective command headquarters, plus an examination of data elements of the DOD 7220.29-H system and discussions with OSD productivity and maintenance policy officials and BLS officials, we proposed that the Assistant Secretary of Defense, Manpower, Installations and Logistics (1) examine the feasibility of using the DOD 7220.29-H system for measuring and reporting depot maintenance productivity and, if feasible, (2) develop appropriate reporting formats to satisfy the BLS reporting requirement and to aid OSD oversight of depot maintenance activities.

Mr. Calhoun informed us that your office agrees with our proposals. He also provided us with an action plan indicating that steps to implement the proposals will be completed by March 1986, and that we will be kept informed of OSD's progress in this regard.

Since this letter summarizes our understanding of actions on our proposals, official DOD comments are not requested.

Thank you for the cooperation and assistance provided to our staff during this review. If you have any further questions, please contact Mr. Robert Taylor or Mr. Horace Kreitzman on 275-2156.

Sincerely yours,

Frank C. Conahan
Director

Enclosure

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MANPOWER,
INSTALLATIONS
AND LOGISTICS

9 JAN 1985

Mr. William J. Anderson
Director
General Government Division
United States General Accounting Office
441 G Street, NW
Washington, D.C. 20548

Dear Mr. Anderson:

On December 18, 1984, I met with Brian L. Usilaner, Robert C. Taylor, Horace Kreitzman, and Ralph E. Reardon of your staff to discuss the potential for an improved productivity measurement and reporting system for Department of Defense (DoD) organic depot maintenance activities.

As a result of this discussion, I agreed to determine if the existing DoD 7220.29-H depot maintenance cost accounting data base can be used to construct productivity indices. Accordingly, my staff will test the data base and develop any necessary software to construct indices.

If the test proves this concept to be feasible, productivity trend analysis and other special studies will be performed. Consideration will be given to using this data for the Federal Government Productivity Report. A milestone chart to accomplish this effort is provided for your information. Your staff will be kept informed of progress on this productivity measurement study.

Sincerely,

Larry L. Calhoun
ACTG Assistant Secretary of Defense
(Manpower, Installations & Logistics)

Enclosure
a/s

MILESTONE CHART

ANALYSIS,TEST & DEVELOPMENT OF THE USE OF
DOD 7220.29-H AS SOURCE
FOR PRODUCTIVITY MEASUREMENT & ANALYSIS

| ACTIVITY | 1985 ---------------------------- 1986 |
	JAN-MAR APR-JUNE JLY-SPT OCT-DEC JAN-MAR
1.0 DETERMINE DEPOT MAINTENANCE COST ACCTG POTENTIAL FOR PRODUCTIVITY MEASUREMENT	───────→
1.1 ANALYZE DATA STRUCTURE	
1.2 TEST DATA VARIABILITY	
1.3 DETERMINE OPTIMUM LEVEL OF AGGREGATION (EG. NSN,END ITEM, ETC)	
2.0 DEVELOP AND TEST SOFTWARE	┝━━━━━━━━━━━━━━━━┥
2.1 DEFINE REQUIREMENTS	
2.2 SELECT SOFTWARE DEVELOPER	
2.3 DEVELOP SOFTWARE	
2.4 TEST SOFTWARE TO EXTRACT DATA FROM 7220.29 DATA BASE LOAD TO PMS, AND ADAPT PMS TO PERFORM MULTI-COST PROD INDICES	
2.5 ANALYZE PRODUCTIVITY INDICES - LABOR VS MULTI FACTOR	
2.6 DETERMINE ADDITIONAL DATA REQUIREMENTS	
2.7 ANALYZE EFFECT/IMPACT OF ADDED DATA	
2.8 PERFORM COST BENEFIT OF ADDED DATA REQUIREMENTS	
3.0 DEVELOP STANDARD REPORTING FORMATS	
3.1 DEVELOP FORMAT FOR FEDERAL GOVERNMENT REPORT	
3.2 DETERMINE AND DEVELOP REPORT FORMAT OSD LEVEL DEPARTMENT LEVEL DEPOT LEVEL	
3.3 CONDUCT ANALYSIS OF TREND DATA BY MAJOR WEAPON SYSTEMS BY DEPARTMENT	
3.4 DETERMINE GENERAL & SPECIAL ANALYSIS REQR	