

August 1995

DEFENSE INVENTORY

Shortages Are Recurring, but Not a Problem



**National Security and
International Affairs Division**

B-261264

August 7, 1995

The Honorable William J. Perry
The Secretary of Defense

Dear Mr. Secretary:

As part of our ongoing evaluation of the Department of Defense's (DOD) secondary inventory,¹ we reviewed issues relating to inventory shortages. Specifically, we analyzed inventory shortages to determine (1) the size of the shortage, (2) the actions inventory managers were taking in response to the shortage and if funding problems caused managers not to buy needed items, and (3) the need for revising DOD's inventory reporting.

Background

In responding to an earlier report,² DOD indicated that it had a \$26-billion inventory shortage that should be considered when analyzing inventory that needs to be on hand. We used this September 1991 shortage as a basis for reviewing the shortage issue.

DOD annually summarizes its secondary inventory in its Supply System Inventory Report, which is based on financial inventory and other inventory reports that the military services and the Defense Logistics Agency (DLA) prepare. DOD uses the report as a management tool to monitor changes in the level of inventory. In the report, DOD identifies an approved acquisition objective inventory, which it defines as items needed to satisfy the wartime and peacetime requirements to equip and sustain U.S. and allied forces in accordance with DOD policies and plans.

When the total of on-hand and due-in inventories falls to or below a certain level—called the reorder point—inventory managers place orders for additional inventory. Depending on the item, the reorder point may include requirements for one or more of the following:

- war reserves that are authorized to be purchased,
- customer requisitions that have not been filled,
- a safety level to be on hand in case of minor interruptions in the resupply process or unpredictable fluctuations in demand,

¹Secondary inventory items include spare and repair parts, fuel, construction materials, clothing and textiles, and medical and dental supplies.

²Defense Inventory: More Accurate Reporting Categories Are Needed (GAO/NSIAD-93-31, Aug. 12, 1993).

- items to be issued during the period between when a need to buy an item is identified and when it is received (lead time),
- items held as insurance against inventory outages, and
- items to be issued during the repair period for repairable items.

Because the reorder point provides for items to be used during the lead time and for a safety level, inventory managers can place orders so that the orders arrive before out-of-stock situations occur. Generally, inventory managers order an amount of inventory called an economic order quantity, which is the quantity of stock that will result in the lowest total costs for ordering and holding inventory.

Results in Brief

DOD's September 1991 secondary inventory shortage was \$16.4 billion rather than the \$26 billion that DOD cited. Two factors that contributed to the difference were the inclusion in the DOD figure of Navy items that were not secondary items and standard price surcharges that increased acquisition costs. Between September 1991 and September 1993,³ the \$16.4 billion shortage decreased to about \$8.1 billion. The decrease was attributable to (1) removal of Operation Desert Storm requirements, (2) downsizing the military forces, (3) elimination of some war reserve requirements, and (4) decreases in requirements due to reduced levels of operations.

Our analysis found that shortages were a normal supply system condition that often resulted in inventory purchases and that in only a relatively small number of instances was funding an issue in deciding whether or not to purchase needed items. We found that managers made purchases for about \$578 million of \$1.1 billion in shortages that we analyzed. For the remaining \$559 million, inventory was not ordered because (1) requirements on which the shortages were based were no longer valid, (2) inventory managers decided that purchases were not necessary for reasons such as the availability of substitute items in the supply system, and (3) responsibility for items had been transferred to other organizations or the items had been removed from the inventory. In general, the decisions not to buy were valid and may have precluded DOD's acquisition of millions of dollars of inventory that probably would not have been used.

DOD's inventory reporting does not focus on the amount of inventory that is needed to be on hand. By DOD's definition, inventory needed to satisfy

³Final data for September 1994 were not available until after we had completed our fieldwork.

reorder point and economic order quantity requirements represents the maximum amount of inventory needed to sustain operations and provide for war reserves. Therefore, only \$28.8 billion of DOD's reported \$58.8 billion September 1993 wholesale inventory⁴ had to be on hand.

DOD Overstated Its Inventory Shortage

We analyzed DOD's secondary inventory records and found that on September 30, 1991, DOD's secondary inventory shortage was \$16.4 billion, not the \$26 billion⁵ DOD cited. Specifically, we found that the Navy computed its portion of the shortage by including (1) about \$5 billion of principal items (e.g., ship and aircraft components not considered to be secondary inventory) and (2) \$2 billion of items supplied by contractors or managed by other DOD components or petroleum products. Also, DOD's figure included \$2.4 billion of standard price surcharges that increased acquisition costs by adding charges for transportation and inventory losses.

Of the \$16.4 billion shortage, \$6.1 billion was needed to satisfy economic order quantity requirements and \$10.3 billion was needed to satisfy reorder point requirements. Because inventory managers do not place orders until the reorder point is reached, items with economic order quantity requirement shortages represent an acceptable and expected condition.

Decreased Requirements Reduced the Shortage

Between September 1991 and September 1993, the inventory shortage decreased by about \$8.3 billion (51 percent), from \$16.4 billion to about \$8.1 billion. The major contributor to the reduced shortage was decreased requirements. The reorder point shortage decreased by \$5.9 billion, while the economic order quantity shortage decreased by \$2.4 billion.

Of the \$8.1 billion shortfall, \$3.3 billion was for aviation parts managed by the Army's Aviation and Troop Support Command, the Navy's Aviation Supply Office, and the Air Force's San Antonio Air Logistics Center and for clothing and textile items managed by DLA's Defense Personnel Support Center. Officials at these locations attributed the reduced shortage to

- removing Desert Storm requirements,
- downsizing the military forces,

⁴Inventory controlled by inventory managers at inventory control points as opposed to items controlled by lower levels such as installations and ships.

⁵The actual amount was \$25.8 billion, which DOD rounded to \$26 billion.

- eliminating DLA war reserve requirements, and
- decreasing requirements due to reduced levels of operations.

The transfer of consumable items to DLA also contributed to reduced shortages in the Navy and the Air Force.

Our analyses of inventory records showed that requirements were reduced significantly between September 1991 and September 1993. Reorder point requirements, including war reserves, safety levels, and lead times, decreased by \$19.5 billion (34 percent), from \$58 billion to \$38.5 billion. The decreased requirements allowed inventory to be reduced to lower levels before replenishment orders were placed. We also noted that economic order quantity requirements decreased by \$3.3 billion (28 percent), from \$11.6 billion to \$8.3 billion, which indicated that DOD was buying inventory in smaller quantities.

Reorder Point Shortages Are a Normal Supply System Condition That Often Result in Purchases

We analyzed about \$1.1 billion of reorder point shortages (7,109 items) at four inventory control points and determined that purchases were made or planned for 3,869 items with \$578 million of shortages. Our work showed that because of continuing demand, shortages recur. For example, an engine turbine vane had reorder point shortages in both March and September 1993. On March 31, the item had a reorder point shortage of 1,862. The inventory manager purchased 2,309 vanes in April. Because the inventory was subsequently drawn down and requirements increased, a second purchase for 1,920 vanes was made in July and a third purchase of 2,070 vanes in October. The inventory manager for the vane said that the shortages were a normal function of the supply system and resulted in inventory purchases. The inventory manager also said that he had purchased larger quantities of the vane, which resulted in two purchases a year. The Navy is now purchasing smaller quantities about four times a year, resulting in less inventory being held on hand.

Reorder Point Shortages Did Not Always Result in Purchases

Inventory managers did not make purchases to satisfy reorder point shortages of \$559 million for 3,240 items because (1) requirements for the items were not valid, had changed, or were uncertain; (2) purchases were not necessary for a variety of nonrequirement reasons such as items being returned to the supply system or the availability of substitute items; and (3) responsibility for the items was transferred to other organizations or the items were no longer in the supply system. According to inventory

managers, in only a few instances did the items' low priority for funding result in not purchasing items to satisfy shortages.

Inventory Managers Did Not Make Purchases Because of Requirements

For 2,107 items with \$330 million in shortages, inventory managers did not make purchases because the shortages were based on requirements that were no longer valid, had changed, or were uncertain. Table 1 shows the number of items and shortage values and why purchases were not made.

Table 1: Requirement-Related Reasons for Not Purchasing Inventory to Satisfy Reorder Point Shortages

Reasons	Items	Shortage value
Requirements were no longer valid	10	\$ 5,225,240
Requirements decreased	2,014	262,352,015
Items had low, decreasing, or no demands	38	8,982,472
Item or system on which the item is used is or will be obsolete	15	2,642,331
Requirements were incorrect	28	50,054,352
Requirements were fluctuating	1	45,974
Requirement was for foreign military sales	1	1,009,231
Total	2,107	\$330,311,615

The following are examples of items that were not purchased because of requirement-related reasons.

- In September 1993, the Army had a reorder point shortage of three aircraft engines used on the SH60 helicopter. The Aviation and Troop Support Command did not buy the engine, valued at \$1,284,923, because its requirements included Navy back orders that had been incorrectly requisitioned through the Army. The command canceled the requirements related to the back orders.
- Decreasing requirements caused 2,000 Navy aviation items with \$233 million in shortages in March 1993 to not have shortages the following September. For example, on March 31, 1993, the Aviation Supply Office had a shortage of two power turbine assemblies used on the CH-46E helicopter. Because of lower demands and field activities turning in items for repair, the inventory manager not only did not buy the 2 assemblies but canceled a purchase request for 17 assemblies. The item had a replacement cost of about \$135,000 each.
- In March 1993, the Navy was short eight panel assemblies used on the H-53A helicopter. The Aviation Supply Office did not buy the assemblies because the H-53A helicopter was obsolete and not in service. The panel

assembly has not been purchased since 1982 and, if needed, on-hand assemblies can be used. The shortage was valued at \$89,948.

- The San Antonio Air Logistics Center did not buy for a September 1993 shortage of 1,408 speech equipment units, valued at \$3,616,649, because of an incorrect additive requirement. The Center also did not buy for a shortage of 54,853 rivets, valued at \$50,106, because of incorrect lead time data in the file. The speech equipment was used on a variety of aircraft and the rivets were used on the F-100 engine.

Inventory Managers Often Decided That Purchases Were Not Needed for Reasons Not Related to Requirements

For 375 items with \$176 million in shortages, inventory managers did not make purchases for a variety of reasons not related to requirements. These reasons, including the availability of substitute items in the supply system and increases in on-hand inventory, are summarized in table 2.

Table 2: Nonrequirement-Related Reasons for Not Purchasing Items With Reorder Point Shortages

Reasons	Items	Shortage value
Item was repaired instead of purchased	12	\$ 19,423,032
Item provided by another service or contractor	3	51,218,077
Substitute item was available	8	11,831,142
On-hand inventory increased	288	20,410,250
Customers could buy the item off- the-shelf	3	23,563
Replacement item was available in the supply system	8	10,892,947
Duplicate item could be used	1	1,523,568
Contract was amended for size redistribution	5	1,338,042
Item had a low funding priority	4	5,625,186
Purchase was deferred at headquarters direction	1	6,338,798
Buy was considered uneconomical	1	3,643
Inventory was available in the system	13	20,393,220
Item was not a secondary inventory item	3	4,528,002
Data were incorrect	12	5,068,394
Other	13	17,738,087
Total	375	\$ 176,355,951

The following are examples of items for which purchases were not made because of nonrequirement-related reasons.

- In September 1993, the Army was short aircraft engines for the MH47E special operation aircraft. The shortage of 39 aircraft engines, valued at \$50,255,962, was not bought by the Aviation and Troop Support Command. The Command did not buy the engines because the engines are contractor-supported items, and the contractor has the responsibility for repairing and stocking the engines.
- Because of increasing inventory, 288 Navy aviation items with March 1993 shortages that totaled \$20.4 million did not have shortages the following September. For example, in March 1993, a receiver transmitter used on various aircraft had a reorder point shortage for eight valued at \$126,244. The inventory manager at the Aviation Supply Office did not expect to buy any receiver transmitters because the Army, the Navy, and the Air Force were turning in large quantities of the transmitters and the demand for it was decreasing.
- In September 1993, the Air Force was short six fiberglass containers used for shipping the inlet fan on the F100 engine. The shortage was valued at \$39,345. The San Antonio Air Logistics Center did not buy for the shortage because the fiberglass container had been replaced by a metal container. The fiberglass containers were discontinued because they had higher damage rates than the metal containers and the repair procedures for the fiberglass containers were not environmentally acceptable.
- In May 1994, DLA was short 42,992 sweaters valued at \$484,286. There are four different sizes of a modacrylic and wool fiber sweater the Air Force, the Army, and the Navy use. The Defense Personnel Support Center filled the shortage with an all wool sweater because the modacrylic fiber was no longer produced by the manufacturer. All of the services agreed to this substitution.

Items Were Transferred or Removed From the Inventory

For 758 items with \$53 million in reorder point shortages, inventory managers did not make purchases because responsibility for managing the items had been transferred to other organizations or the items had been removed from the inventory. For example, in September 1993, the Army was short 25 rotary wing blades used on the UH-1H helicopter. The inventory manager at the Aviation and Troop Support Command was not buying the 25 blades because responsibility for the blades was being transferred to the Army National Guard and the Command planned to remove the item from its inventory. The shortage was valued at \$2,099,162.

At the Aviation Supply Office, 740 items with March 1993 shortages of \$43.3 million were no longer on the office's records in September 1993. We found that some of these items became obsolete and were removed from

the system or responsibility for the items was transferred to other organizations such as the Navy's Ships Parts Control Center or DLA, as the following examples show.

- The office was short six turbine exhaust ducts in March 1993. The ducts, which cost about \$147,000 each, were used on the Harrier aircraft. According to the inventory manager, the item was obsolete and had been replaced by a new item. The inventory manager said that five ducts due in on a contract would be modified to satisfy requirements for the new item.
- The office was short 66 sleeve bushings in March 1993. In May 1993, the office transferred responsibility for the item to DLA. The bushings, used on a landing gear valve assembly, had a \$825 shortage.
- In March 1993, the Navy was short one exhaust nozzle augments (an afterburner) used on the GE F110 engine on the F14 aircraft. The office did not buy for the shortage valued at \$256,278 because the afterburner had been replaced by a new afterburner.

In September 1993, the Air Force had a reorder point shortage of electrical wire used on the C5 aircraft. The San Antonio Air Logistics Center did not buy the wire because management of the wire was transferred to DLA. The shortage was valued at \$17,260.

Inventory Reporting Categories Are Not Accurate

Trends in the private sector are to hold less inventory. An intensely competitive business environment has forced private sector firms to cut costs by reducing and holding less inventory. DOD also recognizes the need to hold smaller inventories. For example, DOD's September 1993 secondary inventory was \$77.5 billion, which represented a \$10.6-billion reduction from the \$88.1 billion September 1991 inventory. DOD's 1994 logistics strategic plan calls for continued efforts to reduce inventory levels and sets a goal to reduce the value of inventory held to \$56 billion by October 2001.

DOD's current inventory reporting categories, however, do not focus on the amount of inventory that is needed to be on hand. In the September 1993 Supply System Inventory Report, DOD reported \$55.4 billion (about 72 percent) of its \$77.5 billion inventory as active inventory satisfying approved acquisition objective requirements. DOD defines active inventory as items expected to be consumed within 2 years or that have been purchased to meet specific war reserve needs.

In its 1993 materiel management regulation, DOD defined its inventory requisitioning objective—equivalent to an item’s reorder point plus economic order quantity requirements—as the “maximum quantity of materiel to be maintained on-hand or on-order to sustain current operations and core war reserves.” Based on our analysis of inventory reported in DOD’s September 1993 Supply System Inventory Report and other inventory reports, we estimate that \$28.8 billion of DOD’s \$58.8 billion wholesale inventory was needed to satisfy reorder point and economic order quantity requirements.

Recommendation

To provide the Congress and DOD management with better oversight of DOD’s inventory, we recommend that you direct the Supply System Inventory Report be revised. Specifically, the inventory report should identify (1) inventory that is needed to be on hand or on order to satisfy reorder point and economic order quantity requirements and (2) reasons for holding inventory beyond that amount.

Agency Comments and Our Evaluation

In commenting on a draft of this report, DOD agreed with our findings but disagreed with our recommendation. DOD said that our recommendation would create a second definition of “required” inventory for reporting that would be different than the one DOD uses for budgeting purposes. DOD said that the recommended criterion for required inventory would include only those stocks in use as of the day of the inventory report and that the criterion is unreasonably restrictive and impractical.

Contrary to DOD’s comment, we do not believe that our recommended reporting approach is too restrictive. DOD regulation 4140.1R specifically excludes items in the hands of end users, such as troop units, from reporting, and our recommendation would not change that. In addition to funded war reserves, on-hand inventory that satisfies reorder point and economic order quantity requirements provides for about 1-1/2 years of supply. Inventory beyond the 1-1/2 years of supply is not necessary to be on hand because, if needed, it can be ordered and received in that time.

DOD’s comments are presented in their entirety in appendix I.

Scope and Methodology

We obtained information on DOD’s secondary item inventory from the Office of the Secretary of Defense; the Departments of the Army, the Navy, and the Air Force; DLA; and several field locations. We interviewed officials

responsible for inventory management policies and reviewed applicable policies, procedures, and related documents.

We analyzed September 30, 1991, and September 30, 1993, military service and DLA secondary inventory stratification reports to determine if the shortage was valid. We then visited the Navy's Aviation Supply Office, Philadelphia, Pennsylvania; the Army's Aviation and Troop Support Command, St. Louis, Missouri; the Air Force's San Antonio Air Logistics Center, San Antonio, Texas; and DLA's Defense Personnel Support Center, Philadelphia, Pennsylvania. We visited these inventory control points to review their inventory shortages, which accounted for 62 percent of the \$8.1-billion shortage as of September 30, 1993. At these locations, we analyzed about \$1.1 billion (7,109 items) of reorder point shortages to determine if the shortages were valid and what actions were being taken to correct the shortages.

We requested inventory stratification tapes or similar information from the four inventory control points. For the Army and the Air Force, the tapes were as of September 30, 1993. For the Navy, the tape was as of March 31, 1993. For DLA, we obtained similar information contained in supply control studies for May 8, 1994. (The difference in the dates was related to the availability of the data when the fieldwork started at the selected centers.) Using this information, we judgmentally sampled items with shortages of on-hand and due-in inventory at the four centers and obtained information on what was done about the shortages.

We did not validate the inventory requirements that DOD reported. We also did not analyze such items as petroleum, oil, and lubricants; Marine Corps inventories; and retail-level inventories because they represented a small part of DOD's overall inventory or because reorder point and economic order quantity requirements were not available for them. By removing surcharges covering the costs to operate the supply system, we revalued the inventory at the latest acquisition cost. We did not, however, revalue items needing repair to reflect their repair costs.

We conducted our work between July 1993 and April 1995 in accordance with generally accepted government auditing standards.

As you know, the head of a federal agency is required by 31 U.S.C. 720 to submit a written statement on actions taken on our recommendations to the House Committee on Government Reform and Oversight and the

Senate Committee on Governmental Affairs not later than 60 days after the date of this report. A written statement must also be submitted 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.

Please contact me at (202) 512-8412 if you or your staff have any questions concerning this report. Major contributors to this report are listed in appendix II.

Sincerely yours,

A handwritten signature in black ink that reads "David R. Warren". The signature is written in a cursive style with a long horizontal flourish extending to the right.

David R. Warren
Director, Defense Management
and NASA Issues

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Abbreviations

DLA	Defense Logistics Agency
DOD	Department of Defense

Comments From the Department of Defense



ACQUISITION AND
TECHNOLOGY

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31 JUL 1995

(L/MDM)

Mr. Henry L. Hinton, Jr.
Assistant Comptroller General
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Hinton:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "DEFENSE INVENTORY: Shortages Are Recurring, But Not a Problem," dated July 6, 1995 (GAO Code 709029/OSD Case 9972)". The Department partially concurs with the report.

The Department agrees that item managers are making correct supply decisions to meet shortages and that valid no-buy decisions were made which precluded the acquisition of inventory that may not be required in the future. The DoD has been diligently working towards reducing inventory while still ensuring that the requirements to support the mission of the Department are not compromised. The Department also agrees that shortages are a normal supply system condition which may result in inventory purchases. In some wholesale inventory systems, funding shortfalls are accommodated in supply execution by adjusting the system parameters in the computer generated recommendations prior to item manager action.

The Department continues to disagree with the report recommendation that would effectively create a second definition of required inventory. As explained in the DoD responses to GAO reports issued in July 1991 and August 1993, the DoD has consistently defined required inventory as that which is projected to be used through the end of the budget year. That definition is applied for both budgeting and reporting of inventories in the DoD. The criterion recommended in the report would include as required inventory only those stocks necessary as of the day of the inventory report.

The detailed DoD comments on the report recommendation are provided in the enclosure. The DoD appreciates the opportunity to comment on the draft report.

Sincerely,

Roy R. Willis
Principal Assistant Deputy Under
Secretary of Defense (Logistics)

Enclosure



GAO DRAFT REPORT - DATED JULY 6, 1995
(GAO CODE 709029) OSD CASE 9972

“DEFENSE INVENTORY: SHORTAGES ARE RECURRING,
BUT NOT A PROBLEM”

DEPARTMENT OF DEFENSE COMMENTS ON THE GAO RECOMMENDATION

* * * * *

- **RECOMMENDATION:** The GAO recommended that the Secretary of Defense, to provide the Congress and DoD management with better oversight of the DoD Inventory, revise inventory reporting to identify inventory that is needed to be on hand or on order to satisfy reorder point and economic order quantity requirements and to identify the reasons for holding inventory beyond that amount. (p. 13/GAO Draft Report)
- **DOD RESPONSE:** Nonconcur. The Department strongly disagrees with the recommendation because it would define required inventory differently for inventory report purposes and budgeting purposes. The DoD position has not changed since the GAO made a similar recommendation in final report GAO/NSIAD-91-266, “DEFENSE INVENTORY: Reports Need Comparable and Comprehensive Data,” dated July 17, 1991 (GAO Code 398023), OSD Case 8746 and final report GAO/NSIAD-93-31, “DEFENSE INVENTORY: More Accurate Reporting Categories Are Needed,” dated August 12, 1993 (GAO Code 398132), OSD Case 9227.

The Department has consistently defined required inventory as inventory that is projected to be used through the end of the budget year, and that same definition is applied for both the budgeting and reporting of inventories. The criterion recommended by the GAO would include as required inventory only those stocks in use as of the day of the inventory report. That definition is unreasonably restrictive and impractical. For instance, by the GAO definition, inactive inventory would include: (1) any item needed the day after the date of the inventory report; (2) valid current year inventory requirements for which the Congress has already appropriated funds for procurement; and (3) inventory which the Department would need to include in its budget if it were not on hand.

If the GAO goal is to clarify the amount of inventory that needs to be on-hand to provide uninterrupted supply, creating a second definition of required inventory would, in fact, be counter-productive. It is unclear what advantage is gained by creating a second, as the GAO proposes, when it would not alter the amount of inventory that the Department budgets, orders or holds. There are, however, disadvantages of having two definitions of required inventory, the most apparent of which is that an item might be considered required by one criterion and not by the other.

ENCLOSURE

Now on p. 9.

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Glossary

Active Inventory	Active inventory is materiel expected to be consumed within the budget year (2 years) and purchased to meet specific war reserve requirements.
Approved Acquisition Objective	This is the quantity of an item needed to satisfy peacetime and wartime requirements to equip and sustain U.S. and allied forces in accordance with current Department of Defense (DOD) policies and plans.
Economic Order Quantity	The order quantity that results in the lowest cost to order and hold inventory.
Lead Time	Lead time is the time from when a decision to buy an item is made to when the material is received into the system.
Principal Items	Principal items are end items and replacement assemblies of such importance that management techniques require centralized individual item management throughout the supply system. This includes central inventory control, centralized computation of requirements, central direction of distribution, and central knowledge and control of all assets owned by the military services. Principal items normally are selected for their essentiality for combat or training, high monetary value, difficulty of procurement or production, or criticality of basic materials or components.
Reorder Point	The reorder point is a warning point that indicates that a order must be placed to ensure that inventory will be available to satisfy future customer demands. The reorder point consists of the sum of the safety level, the ordering and shipping time, the repair cycle level, and the authorized additive levels.
Requisitioning Objective	The requisitioning objective is the maximum quantity of materiel to be maintained on-hand and on-order to sustain current operations and core war reserves. It consists of the sum of stocks represented by the operating level, safety level, repair cycle, and the order and shipping time. This objective is equivalent to an item's reorder point plus economic order quantity requirements.
Safety Level	Safety level is the quantity of materiel required to be on hand to permit continued operation in case of a minor interruption of normal replenishment or a fluctuation in demand occurs.

Secondary Item

A secondary item is an item that is either a consumable (item that can be used only once because it cannot be repaired) or reparable (item that can be repaired and put back into service) other than a principal item. Secondary items include spare and repair parts, fuel, construction materials, clothing and textiles, and medical and dental supplies.

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