

113096

REPORT BY THE

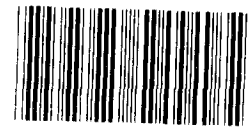
Comptroller General

OF THE UNITED STATES

Opportunities for Further Improvement Of Government Logistics Management

By adopting GAO recommendations, Federal agencies have been able to improve their operations and save millions of dollars. However, in some instances, agencies did not agree with GAO's recommendations. In other instances, agencies have agreed with GAO but have not acted or have not taken the degree of action GAO believes is necessary.

GAO reviewed past recommendations for improving logistics management and identified a number of recommendations which have not been carried out. GAO recommends that agencies consider implementing these recommendations and that congressional committees follow up on the status of these recommendations at appropriation and oversight hearings.



113096



011763

LCD-80-78
AUGUST 21, 1980

For sale by:

Superintendent of Documents
U.S. Government Printing Office
Washington, D.C. 20402

Telephone (202) 783-3238

Members of Congress; heads of Federal, State,
and local government agencies; members of the press;
and libraries can obtain GAO documents from:

U.S. General Accounting Office
Document Handling and Information
Services Facility
P.O. Box 6015
Gaithersburg, Md. 20760

Telephone (202) 275-6241



COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

B-198700

- ✓ The Honorable Warren G. Magnuson
Chairman, Committee on Appropriations SEN 00300
United States Senate
- ✓ The Honorable John C. Stennis
Chairman, Committee on Armed Services SEN 00500
United States Senate
- ✓ The Honorable Jamie L. Whitten
Chairman, Committee on Appropriations HSE 00300
House of Representatives
- ✓ The Honorable Melvin Price
Chairman, Committee on Armed Services HSE 00500
House of Representatives

Over the years, we have made many recommendations for improving logistics management policies, planning, and practices. Our objective has been to help Federal agencies improve their operations and save millions of dollars. In working toward this objective, we have

- examined the feasibility of alternative logistics concepts, structures, and policies;
- reviewed the adequacy of the implementation of sound concepts, structures, and policies; and
- reviewed the operation of various functions or processes of logistics management to determine whether they are being performed effectively and efficiently.

While agencies have adopted many of our recommendations on logistics management, they have not adopted others or have failed to implement them completely. The following sections of this report briefly discuss the logistics management areas we have examined over the past 5 years. The appendix to the report lists selected open recommendations.

AAC00005
AGC00035
AGC00020
AGC00001
AGC00017
AGC00012

USING LESS COSTLY ALTERNATIVE
LOGISTICS CONCEPTS

The scope and costs of Government logistical programs have stimulated much interest on the part of the Congress and officials directing logistical systems. As a result, they have sought new concepts and organizational restructuring which would reduce costs and enhance the support aspects of the logistical systems. In several reports, we have shown that alternative logistics concepts offer the potential for saving millions of dollars. Agencies have used some less costly alternatives, such as centralized management, inter-agency cooperation, and contracting with the private sector, with some success. However, further opportunities exist for agencies to use these and other alternatives. (See p. 6.)

MAKING LOGISTICS SUPPORT
SYSTEM DECISIONS EARLIER

Logistics support costs are affected significantly by such matters as (1) the reliability and maintainability designed into a weapon system or other major equipment system, (2) the concepts of operation and maintenance for the system, (3) and the procurement processes used to support the system. Substantial savings are possible if the Government plans ahead and makes decisions about logistics support systems early in the procurement process. We have found that, in some cases, this early logistics planning was not carried out. (See p. 7.)

ORDERING AND STOCKING THE PROPER
AMOUNT AND KIND OF MATERIAL

Within the Government, substantial improvements are needed at the various levels of supply management in the procedures, practices, and controls employed in determining and satisfying needs. Several functions must be performed properly to assure that sufficient, but not excessive, quantities are available when and where needed. We have found, however, that this basic inventory management challenge of having the proper amount of stocks on hand when required--neither too much nor too little--has not been realized in many areas of Government. (See p. 7.)

DISTRIBUTING MATERIAL EFFICIENTLY

The Government spends billions of dollars annually to operate material distribution systems and spends billions more

in depot facilities and material handling equipment to support such systems. This immense, complex job of distributing Government material--coupled with dynamic innovations and drastic shifts within the transportation industry--offers unlimited opportunities for improvement and dollar savings. However, in many instances, Federal agencies have not taken advantage of these savings. (See p. 8.)

USING EQUIPMENT MORE EFFECTIVELY

The Government has invested billions of dollars in equipment of all types, and new equipment is continually entering agencies' inventories. Much of this equipment either is not needed or is not being used effectively because agencies tend to overstate their initial requirements and lack standards to measure the continuing need for the equipment. (See p. 8.)

MAINTAINING EQUIPMENT BETTER

Billions of dollars are spent annually on maintenance programs throughout the Government. Many of these dollars could be saved by improving the efficiency and effectiveness of Government maintenance procedures and programs. These savings can be achieved by having resources more closely matched to requirements, using available resources more effectively, and increasing the use of proven maintenance concepts. (See p. 9.)

IMPROVING LOGISTICS MANAGEMENT INFORMATION SYSTEMS

Accurate and timely management information is essential for successful logistics management. Information from these systems is critical to decisions affecting day-to-day actions necessary to maintain visibility and control over the Government's multibillion dollar supply and maintenance activities. Some systems set up to provide this function have not provided management with information essential for successful logistics operations. (See p. 10.)

DISPOSING OF UNNEEDED PROPERTY

The magnitude of unneeded Government property is somewhere in the billions of dollars. The generation of some unneeded material is inevitable because of the large number of different types and vast amounts of material the Government manages to support its operations. Proper disposal of unneeded Government property is essential to achieve the

most economical management of excess supplies and surplus material. Systems established to meet this goal have not always worked. (See p. 10.)

IMPROVING CATALOGING AND STANDARDIZATION

Effective cataloging and standardization of supplies are important first steps for efficient and economical logistics operations. To fully benefit, Federal agencies must be dedicated to planning, controlling, and reviewing their programs in these areas. Because of the complex relations among cataloging and standardization programs, agencies must coordinate their activities. We have found that such dedication and coordination are lacking. (See p. 11.)

PROTECTING INVENTORIES

Storing and preserving material is a key element within the logistical system. As the availability of funds and personnel for storage functions decreases, it becomes increasingly important that existing storage and preservation systems become more efficient. What we have found, however, is that this efficiency has not been realized in some Government storage and preservation systems. (See p. 11.)

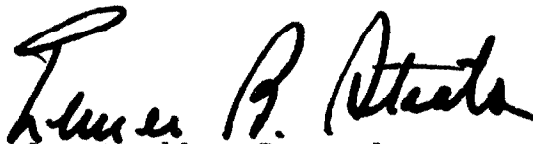
- - - -

In some instances, agencies have not agreed with our recommendations. In other instances, even when agencies generally have agreed with our recommendations, they have not implemented them or have not taken the degree of action we believe is necessary. Because the Administration and the Congress are interested in achieving a balanced Federal budget, we believe that Federal agencies should explore all avenues for reducing Government operations costs. Renewed agency action on our recommendations, which have not been implemented, or have been only partially implemented, can help in this effort.

RECOMMENDATIONS

We recommend that the Secretary of Defense; the Secretaries of the Air Force, Army, and Navy; the Administrator of General Services; and the Secretary of Energy reconsider those recommendations in the appendix which have not been fully implemented. Also, we recommend that during future hearings

your Committee follow up on agency actions to reconsider and implement those recommendations.

A handwritten signature in black ink, appearing to read "Thomas P. Atkins". The signature is written in a cursive style with a large initial 'T'.

Comptroller General
of the United States

STATUS OF SELECTED OPEN RECOMMENDATIONSBY SUBJECT AREA AND AGENCY

<u>I. Alternative logistics concepts</u>	<u>Agency</u>	<u>Status</u>
We recommended that:		
A single Department of Defense (DOD) manager be designated for aircraft depot maintenance either from one of the services or from an independent DOD maintenance survey (LCD-78-406, 7/12/78).	Servicewide	DOD stated that, regarding a single manager, it was particularly sensitive to any possible adverse impact on its ability to effectively support the combat forces. A preliminary survey to identify and quantify the anticipated benefits and penalties of the recommendation has been completed. However, we have not received the final study.
A single manager be designated to coordinate the Federal diagnostic and calibration program. Potential savings are projected to be about \$6 million (LCD-77-427, 5/31/77).	Servicewide	DOD reluctantly agreed to study the feasibility of our recommendation for specific areas. Its own studies have confirmed that opportunities for consolidation are available and that millions of dollars could be saved. However, DOD has not taken action to bring about the change.
Interservicing be used to reduce inefficiency and duplication of support functions in the Pacific. Potentially, over \$9 million could be saved. In addition, equipment and vehicles valued at \$6.4 million would be made available for redistribution (LCD-78-223, 4/12/79).	Servicewide	DOD and subordinate military organizations have taken positive efforts to consolidate some military support functions. However, procedures that would insure that disputed consolidations are promptly submitted for review and arbitration to an organization with directive authority have not been implemented.
Duplication of aircraft depot maintenance be eliminated through increased interservicing. Elimination of this duplication could save millions of dollars (LCD-78-406, 7/12/78).	Servicewide	DOD responded that interservicing has been significant. We have been informed that the Defense Audit Service will review the implementation of the interservicing process.
DOD use the substantial amount of excess capacity for aircraft maintenance within private industry to meet its maintenance requirements. Unused commercial production capacity ranges from \$250 to \$400 million annually (LCD-78-406, 7/12/78).	Servicewide	Our recommendation corresponds with the conclusion of a 1977 DOD/OMB study. However, DOD did not agree with our recommendations.

STATUS OF SELECTED OPEN RECOMMENDATIONSBY SUBJECT AREA AND AGENCY

	<u>Agency</u>	<u>Status</u>
F-15 and F-16 component repair in the field be centralized. Centralization would save millions of dollars (LCD-79-409, 3/28/79).	Air Force	The Air Force has approached our recommendation on these aircraft with caution, while at the same time moving ahead with centralization of component support for other aircraft.
Commercial shipping be considered as a means for meeting Navy support ship needs. Hundreds of millions of dollars could be saved (LCD-78-234A, 8/30/78).	Navy	Although DOD and the Navy disagreed with the report's conclusions and recommendations, they have planned or taken several actions that are closely aligned to those suggested in the report. However, more could be done.

II. Identification of logistics requirements

We recommended that:

More be done to determine and record the benefits of increased front end logistics planning on operation and support costs (LCD-77-429, 10/17/77).	Servicewide	DOD did not agree to take additional action to identify the benefits of increased front end logistics planning.
Existing integrated logistics support planning be supplemented with separate guidance for foreign-produced weapon systems (LCD-76-450, 1/4/77).	Army	DOD did not agree with our recommendation.
Logistics support planning for the Mark-48 torpedo be reevaluated (LCD-76-451, 5/9/77).	Navy	Actions taken on our recommendations have been more of a status of what has been done rather than a reevaluation of what needs to be done.

III. Requisition of excessive material

We recommended that:

Repair parts for DOD equipment be taken from existing inventories rather than overhauled to meet maintenance requirements (LCD-79-205, 1/31/79).	Servicewide	In many instances, the services continue to overhaul repair parts, although surplus repair parts exist in DOD inventories.
The Army discontinue its practice of including safety levels and residual force quantities as early mobilization requirements (LCD-78-422A, 12/14/78).	Army	The Army would not agree to implement all the actions needed to reduce its war reserve stocks. The Army believed that the safety level is a valid requirements element. We believe that the war reserve requirements contain sufficient quantities to provide adequate support without these additional levels.

STATUS OF SELECTED OPEN RECOMMENDATIONSBY SUBJECT AREA AND AGENCYIV. Material distribution and transportation systems

	<u>Agency</u>	<u>Status</u>
We recommended that:		
DOD make needed improvements in transportation and billing so that transportation costs under the Foreign Military Sales program could be fully recovered. Many millions of dollars in accessorial costs have not been recovered from foreign governments (LCD-77-210, 8/19/77).	Servicewide	Procedures that need to be changed to correct this problem have not been implemented.
Transportation for the shipment of cargo overseas in ocean containers be centrally managed. This would save millions and improve service (LCD-77-227, 11/8/77).	Servicewide	DOD studies intended to evaluate our recommendations have not yet been completed.
Improvements are needed in Defense programs for training transportation officers and agents (LCD-77-229, 7/20/77).	Servicewide	Action on our recommendations has not occurred.
The Department of Energy take several actions to develop a comprehensive transportation plan for the Strategic Petroleum Reserve (LCD-78-211, 10/18/78).	Department of Energy	Although Energy agreed, in part, with our recommendation, it did not review the ability and cost of U.S. flag tankers in meeting this reserve.

V. Use of Government equipment

We recommended that:		
Standardized criteria and instructions be established for developing peacetime and mobilization industrial plant equipment needs (LCD-76-407, 10/5/76).	Servicewide	The services have taken some actions to improve their management of industrial plant equipment. However, the Navy still does not have all the data needed to effectively manage its equipment needs.
DOD take a more active role in getting numerically controlled equipment in place and working efficiently at DOD industrial plants (LCD-78-427, 1/17/79).	Servicewide	DOD has not provided the attention and direction that we believe is needed for numerically controlled equipment.
Air Force and Navy procurements for F-15 and F-14 support aircraft be	Air Force/Navy	Despite our findings and the fact that the Defense Audit Service also

STATUS OF SELECTED OPEN RECOMMENDATIONSBY SUBJECT AREA AND AGENCY

	<u>Agency</u>	<u>Status</u>
reevaluated. Service computed needs may have been overstated by 178 aircraft, or \$2.5 billion (LCD-79-420, 1/17/79).		questioned the F-14 and F-15 non-combat aircraft requirements, we have seen virtually no change in quantities procured and little improvement in the requirements justification for such aircraft.
Alternatives be used to reduce requirements for spare aircraft engines. Approximately \$141 million could be saved (LCD-77-418, 10/12/77).	Air Force/Navy	A joint service study of safety levels for spare engine requirements, intended to be completed by December 1978, is still not completed. In addition, the Navy continues to keep its inventory of spare engines aboard carriers at a level higher than needed.
<u>VI. Maintenance procedures and programs</u>		
We recommended that:		
The management of the military services' below-depot maintenance programs be consolidated under a single manager (LCD-75-422, 7/29/75).	Servicewide	DOD officials did not agree with our recommendation. They stated that decentralized management is necessary to preserve unit integrity and to insure defense readiness.
Maintenance programs for combat and tactical vehicles be improved (LCD-75-424, 9/3/75).	Servicewide	Procedures were promised to correct the maintenance deficiencies that we identified. However, current data indicates that the deficiencies continue to exist.
The productivity of Navy aircraft overhaul depots be improved through consolidation. Millions of dollars could be saved (LCD-80-23, 12/5/79).	Navy	Consolidation has not taken place even after our reports and Navy studies have shown that it should.
Naval shipyards be properly sized and needed resources be effectively used (LCD-77-450, 3/31/78).	Navy	While the Navy has taken some action, it has not identified other data needed to properly size shipyards. Little progress has been made in defining shipyard capacity needs.
The Navy needs better information on and analysis of intermediate maintenance of ships before it can establish what type and how much intermediate	Navy	Progress made in the intermediate maintenance and maintenance system development program areas appears to be less than satisfactory.

STATUS OF SELECTED OPEN RECOMMENDATIONSBY SUBJECT AREA AND AGENCY

	<u>Agency</u>	<u>Status</u>
level maintenance capability is needed (LCD-78-433, 9/12/78).		
The Navy assess its policy of regularly overhauling amphibious and auxiliary ships with a view toward adopting a potentially less costly but equally effective philosophy (LCD-78-434, 12/27/78).	Navy	The Navy disagreed with our recommendation, stating that our report did not consider the basic differences between the Navy's combat support ships and merchant ships.
<u>VII. Management information systems for logistics operations</u>		
We recommended that:		
DOD designate a group to coordinate the services' use of source data automation (LCD-77-441, 9/23/77).	Servicewide	DOD actions have been mainly in the area of monitoring rather than coordinating source data automation in the services.
Changes be made in the Defense Logistics Agency's automated depot systems to assist the Defense logistical system (LCD-76-108, 2/20/76).	Servicewide	Information indicates that the Defense Logistics Agency continues to have many of the problems identified in our report.
Major changes be made to the World Wide Military Command and Control System so that it would be effective in meeting its objectives (LCD-80-22, 12/14/79).	Servicewide	We have been reporting the problems in this system for over 9 years. The problems continue to exist with only a promise by DOD to study the feasibility of doing a study.
The Navy improve its management of automated processing resources (LCD-79-113, 10/15/79).	Navy	While the Navy agrees that improvements could and should be made in the automated data processing program, we have found that actions needed to correct the problems have not been carried out.

VIII. Disposal of unneeded property

We recommended that:

DOD develop a standard policy for determining when to eliminate from inventory, excess equipment for weapon systems no longer used by the Armed Forces. Millions of dollars of excess inventories could be reduced (LCD-79-211, 5/16/79).	Servicewide	A standard policy to be used by the services has not been implemented.
---	-------------	--

STATUS OF SELECTED OPEN RECOMMENDATIONSBY SUBJECT AREA AND AGENCY

<u>Agency</u>	<u>Status</u>
Servicewide	Since our report, the Defense Audit Service has confirmed our conclusion for basically the same reasons cited in our report.
DOD require Defense components to better manage the inactive item program. Inactive supply item reductions could help reduce the more than \$46 million now being spent annually to manage the items (LCD-77-204, 1/26/77).	

IX. Cataloging and standardization practices

We recommended that:

DOD and the General Services Administration work with private industry to develop advisory services and establish a uniform entry control to help prevent unnecessary items from entering Government inventories (LCD-75-420, 11/20/75).	Servicewide & GSA	A meeting between DOD/GSA and private industry to help prevent unnecessary items from entering Government inventories has not occurred.
--	-------------------------	---

Problems associated with the Federal Catalog and Standardization Program be corrected to eliminate item duplication (LCD-79-403, 3/15/79).	Servicewide & GSA	DOD and GSA promised actions which should address some of our recommendations. However, other recommendations encountered major DOD and GSA objections.
--	-------------------------	---

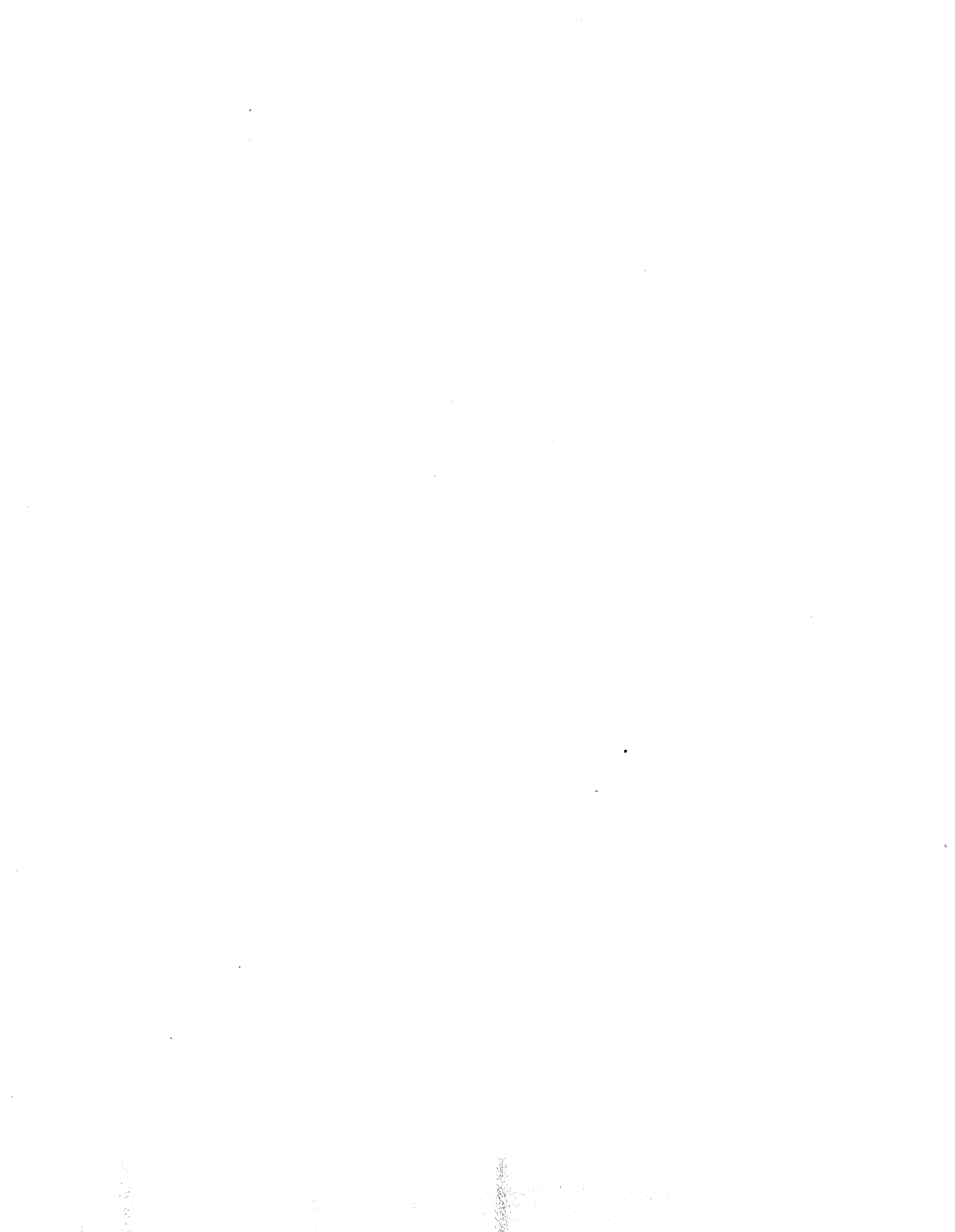
GSA make the item reduction program more effective (LCD-76-459, 7/11/77).	GSA	GSA has taken some action to improve the item reduction program. However, it disagreed with us on other points and has not taken the action called for.
---	-----	---

X. Storage and preservation system

We recommended that:

The serviceability of stockpiled lethal chemical munitions and agents be ascertained before demilitarizing or disposing of stocks (LCD-77-205, 9/14/77).	Army	DOD did not agree with our recommendation.
--	------	--

DOD management of shelf life inventories be improved (LCD-77-211, 6/29/77).	Navy	Initially, DOD was reluctant to take action. After our second report, DOD did begin to act on our recommendations. However, the eventual actions and the adequacy of these actions have yet to be evaluated.
---	------	--





AN EQUAL OPPORTUNITY EMPLOYER

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

**OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE, \$300**

**POSTAGE AND FEES PAID
U. S. GENERAL ACCOUNTING OFFICE**



THIRD CLASS