REPORT TO THE CONGRESS

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

The Army Should Evaluate Effectiveness Of The Direct Support System And Make Improvements

Department of Defense
General Services Administration

The Army's direct support system offers potential for economical and effective overseas supply support by eliminating intermediate overseas storage depots. But to make the system viable, the following are needed:

--Cost benefit studies.

--Improvements in collection and reporting of performance data.

--Elimination of overseas buffer stocks.

--Better stock selection and processing in the United States.

--Acceptance of the system's goals by the General Services Administration and Defense Supply Agency.

The Congress has expressed special interest in improving the ratio of combat to support troops; improvement of the direct support system can contribute to this.

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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To the President of the Senate and the
Speaker of the House of Representatives

This report evaluates the effectiveness of the Army's direct supply support system and whether it is working as intended. It discusses the need for a current cost benefit analysis and for improvements in the system's operation.

We made our examination pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of this report to the Director, Office of Management and Budget; the Administrator, General Services Administration; the Secretary of Defense; and the Secretaries of the Army and Air Force.

Comptroller General
of the United States

Contents

ABBREVIATIONS

DARCOM - Army Materiel and Readiness Command
DOD - Department of Defense
DSA - Defense Supply Agency
DSS - direct support system
GAO - General Accounting Office
GSA - General Services Administration
MAC - Military Airlift Command
OST - order and ship time

COMPTROLLER GENERAL'S REPORT TO THE CONGRESS

THE ARMY SHOULD EVALUATE EFFECTIVENESS OF THE DIRECT SUPPORT SYSTEM AND MAKE IMPROVEMENTS

Department of Defense
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D I G E S T

The Army's direct support system represents a major departure from its standard supply system which relies on depots and stocks at installations as the primary sources of supply.

Under the direct support system, peacetime requirements of Army units are provided directly from designated depots in the United States.

This direct delivery concept is designed to provide effective supply support at reduced cost. Its basic objectives are to

--increase supply efficiency and responsiveness,

--decrease inventories and ordering and shipping time, and

--reduce stock vulnerability to air or nuclear attack.

The system uses sea and air transportation, containerized or palletized shipments, and advanced computer and communication systems.

GAO examined the direct support system from the viewpoint of peace-time resupply. (The Army's ability to convert the system to a wartime support role is the subject of another review.)

The new system offers a potential for economical and effective supply support overseas. However, the Army needs to make a cost benefit study (1) to demonstrate that the costs to obtain the benefits afforded do not outweigh their value and (2) to identify elements where greater efficiency and economy are needed. (See p. 7.)

The Congress has expressed special interest in improving the ratio of combat to support troops;

improvement of the direct support system can contribute to this objective.

Evaluation of the new system's performance is based largely on insufficient, inaccurate, or incomplete data. Any cost benefit study must examine the integrity of data used and what actions are needed to improve the quality of data collected and reported. (See p. 8.)

The system is far from achieving its goal of filling 90 percent of requisitions from supply depots near overseas departure points. As a result, large quantities of materiel were shipped across the country before being shipped overseas. One west coast depot shipped 2.5 million pounds of materiel to Europe and a Texas depot shipped about 4 million pounds to European and Pacific customers during a recent 12-month period. (See p. 11.)

The following improvements need to be made to increase the value of benefits and reduce system costs.

--More supplies should be prepositioned at particular depots and stock screening procedures should be designed to select available stocks nearest the departure points. These actions will shorten the time needed to fill overseas requirements and greatly reduce transportation costs. (See p. 16.)

--$4.3 million of safety stocks in Europe are not needed and should be eliminated. (See p. 22.)

--The direct support system depends upon the Defense Supply Agency and the General Services Administration for most of the supplies shipped overseas. Changes need to be made to these agencies' distribution procedures and supply practices so that they will tie in well with the direct support system. (See pp. 27 and 32.)

The Department of Defense concurred with most GAO conclusions and cited improvements underway or planned. It agreed that a cost benefit study is needed and said the Army has undertaken one. In Defense's opinion,

specially tailored procedures needed to improve Defense Supply Agency's support of the direct support system should be considered in this cost benefit study rather than be implemented immediately.

The cost effectiveness of needed Defense Supply Agency changes should be studied before being applied; however, emphasis needs to be placed on the Defense Supply Agency using existing capability to the fullest extent possible to better support the r system without disrupting its support of c er services.

The General Services Administration concurred in GAO's suggestions and agreed to make changes recommended.

CHAPTER 1

INTRODUCTION

The direct support system (DSS) represents a major departure from the standard Army supply system. Before DSS' inception, materiel was shipped from U.S. depots to aerial or seaports where most of it was palletized or containerized (some surface cargo was shipped breakbulk). Upon arriving overseas, materiel was removed from pallets/containers and trucked to theater wholesale depots. Direct support units--which furnish materiel to end users or use it themselves in maintenance work--routinely ordered and received materiel from the theater depots. Only direct delivery orders were shipped from the United States directly to the direct support units.

DSS supplies Army retail and consumer units peacetime requirements directly from designated depots in the continental United States. This direct delivery concept is designed to provide effective supply support at reduced costs. Benefits are available through maximum use of improved supply and transportation capabilities and reductions in the overseas pipeline, inventories and support costs.

DSS basic objectives are to

--increase supply efficiency and responsiveness and asset visibility,

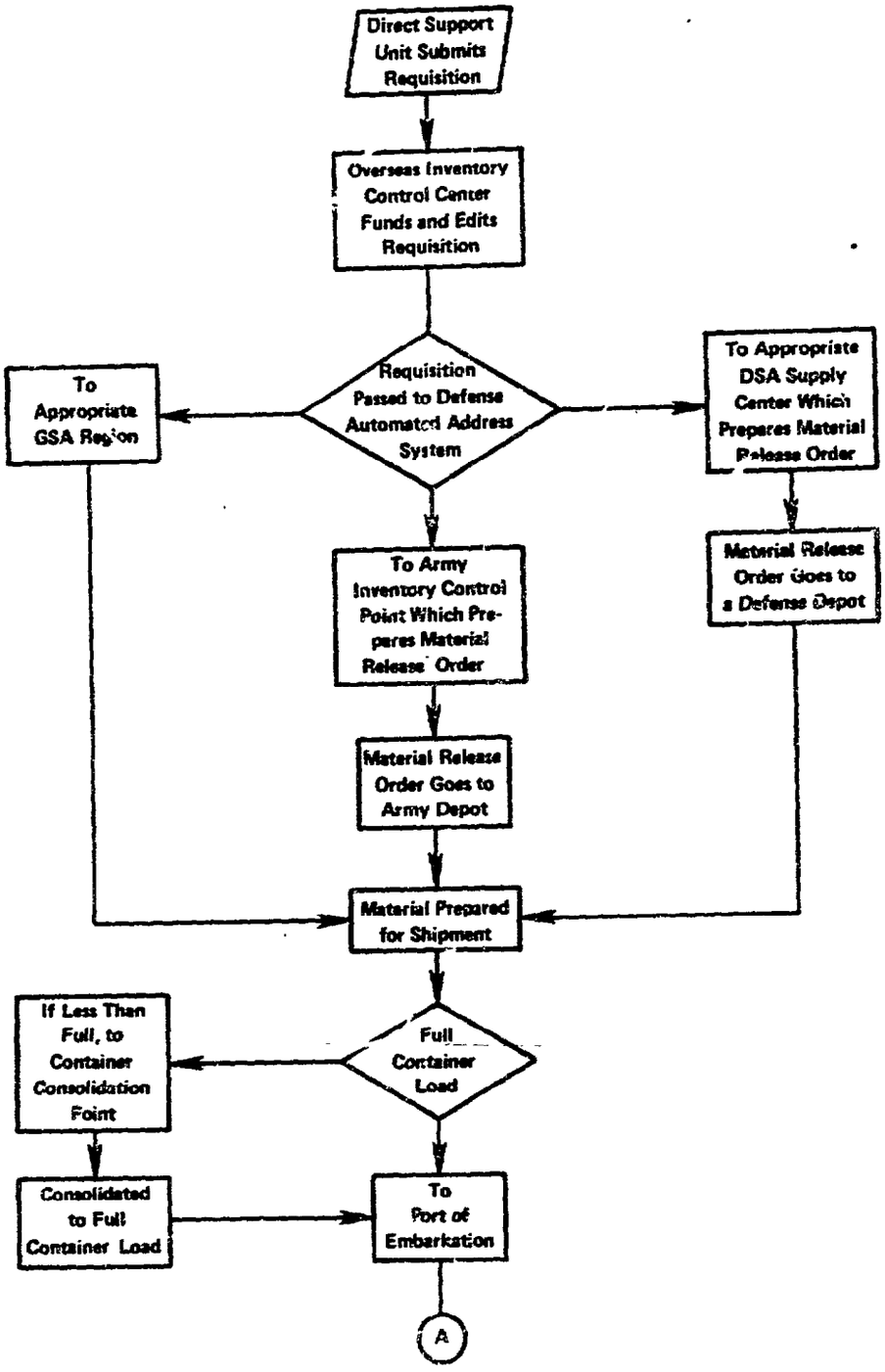
--decrease inventories and order and ship time (OST), and

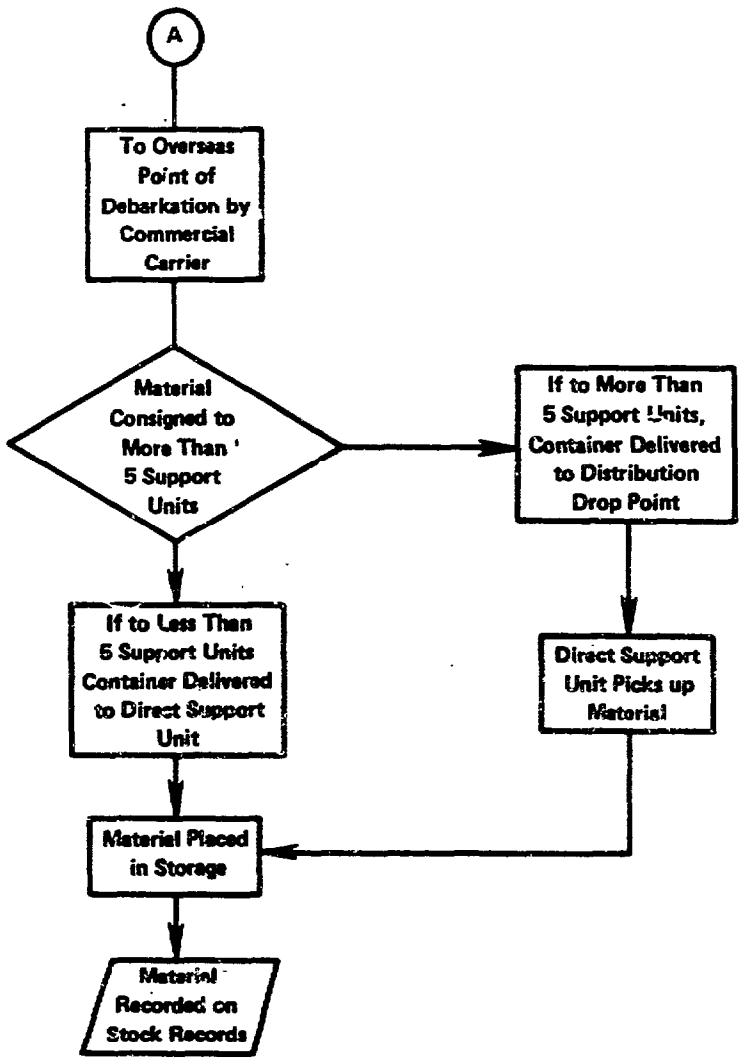
--reduce stockage vulnerability to air or nuclear attack.

To accomplish these objectives, the system uses sea and air transportation, containerized or palletized shipments, and advanced computer and communication systems. Under DSS, overseas support units submit requisitions to theater inventory management centers for editing and funding. Except for high-priority requirements, requisitions are screened for filling from theater excess stocks or long supplies before being passed to inventory control points in the United States. Overseas depot stockage is limited to war reserves, operational projects, and a safety level for stock items having no reserve or project stocks.

The elimination of theater stocks makes overseas units dependent on timely support from the United States. To provide this support, the inventory control points are required

TYPICAL FLOW OF DSS REQUISITIONS AND MATERIEL




A
To Overseas Point of Debarkation by Commercial Carrier
Material Consigned to More Than 5 Support Units
If to More Than 5 Support Units, Container Delivered to Distribution Drop Point
If to Less Than 5 Support Units Container Delivered to Direct Support Unit
Direct Support Unit Picks up Material
Material Placed in Storage
Material Recorded on Stock Records

to position and release stocks from depots nearest to water and aerial ports. East and west coast theater-oriented depot complexes and consolidation containerization points have been established in the United States to support customers in Europe and the Pacific. The east coast complex is comprised of the New Cumberland, Letterkenny, and Tobyhanna, Pennsylvania, Army Depots and the west coast complex consists of Sacramento and Sharpe Army Depots in California. 1/ The container consolidation points are located at the New Cumberland and Sharpe depots.

Normal replenishment requisitions under DSS flow from the overseas customer, through the theater inventory management centers for funding, to the U.S. inventory control points which procure, manage and provide for stockage and issuance of materiel. Materiel flows from the depot complexes through the consolidation points, to sea and aerial ports. (See flow-chart on preceding pages and graphic depiction of requisition and materiel flow in app. I.)

Ideally, materiel is delivered directly to the direct support units--once the container or pallet has arrived overseas. However, the low volume of cargo accumulated for individual direct support units makes it difficult, in most cases, to deliver a full container to one consignee. When vans cannot be filled for direct delivery, individual containers may be sequentially stuffed for several consignees. Deliveries are then made by multiple stopoffs, not to exceed five, or materiel is unstuffed at larger direct support units designated distribution drop points and picked up there by the smaller units. Deliveries are made to drop points only as a last alternative, primarily to low volume customers.

Throughout the supply and transportation process, documents are forwarded to, and recorded in, a centralized logistics intelligence file. This file is maintained at The Presidio, San Francisco, California, by the Logistics Control Activity, which monitors supply and transportation actions for Army requistions placed on the wholesale supply system. The file provides intransit visibility of shipments

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1/The Army has renamed the theater-oriented depot complexes "area-oriented" depots and announced a revised distribution plan whereby New Cumberland depot would eventually serve the European theater and designated areas in the eastern part of the United States and Sharpe Army Depot the Pacific theater and designated areas in the western part of the United States.

and performance data for each segment of processing within the DSS pipeline. The performance data is summarized by each segment of the pipeline in a monthly DSS performance evaluation report.

DSS EXPANSION OVERSEAS

In July 1970 the Army Materiel and Readiness Command (DARCOM) began a test of the DSS concept in coordination with U.S. Army, Europe. The test was acclaimed a success and DSS was expanded to Korea in February 1971 and to Vietnam on a limited scale in April 1972.

These tests of the DSS concept demonstrated to the Army's satisfaction that the system could provide effective supply support with increased efficiency. For instance, performance data for June 1973 showed that OST had been reduced to 60 days for Europe and 65 days for Korea as compared with 135 and 165 days before DSS. (The latter figures were the combined OST from the United States to theater depot and from theater depot to the support activity.) DSS has now been expanded to all Army activities in Europe and Korea and most Army activities in Hawaii, Japan, and Okinawa. As of early 1975, DSS served 181 direct support units in Europe and 36 in Korea. According to the Army, during calendar year 1974, overseas activities submitted $326 million of DSS requisitions and over 108,000 short tons of materiel were shipped to them.

Agencies' responsibilities

DARCOM responsibilities under DSS are to (1) issue directives necessary to support and implement the program, (2) define the specific changes required in the supply applications and procedures at retail and user levels, and (3) perform periodic systems review. An additional Army responsibility is to provide the policy guidance DARCOM may require or request in support of the DSS program.

The Army National Inventory Control Points' responsibilities are to (1) position supplies at various U.S. depots in support of DSS, (2) make interdepot transfers when the criteria for transferring stocks are met, and (3) monitor the logistics pipeline and identify and pinpoint problems.

Overseas Army commands are responsible for (2) editing and funding DSS requisitions, (2) passing requisitions to the United States in accordance with DSS guidelines, (3) insuring that theater depot stockage agrees with the direct support concept, and (4) insuring that requisitions and materiel are processed through the overseas pipeline segments in accordance with DSS time standards.

Defense Supply Agency (DSA) and General Services Administration (GSA) responsibilities are to (1) provide direction and guidance to the Defense supply centers and GSA regions for managing stocks stored and issued under DSS, (2) position and maintain adequate stocks of demand-supported items at depots nearest the theater-oriented depots to insure optimum support to theaters and installations in the United States within the DSS time frames, and (3) direct DSS overseas shipments to New Cumberland and Sharpe Army Depots for consolidation/containerization and preparation of DSS documentation.

The Defense supply centers are responsible for centralized inventory control of DSA-managed items. This includes procurement, stock replenishment, stock positioning, distribution, and requisition processing.

CHAPTER 2

NEED FOR COST BENEFIT ANALYSIS OF DSS OVERSEAS OPERATION

DSS offers considerable potential for economical and effective peacetime supply support overseas. However, many aspects of the system are not working as intended, and the Army has not received the degree of support from DSA and GSA required to make the system effective. To obtain benefits available from the direct support concept, several actions are needed.

First a cost benefit study is needed to demonstrate whether the overseas direct support is more economical than the standard Army system which relied on intermediate depots and to pinpoint additional areas where attention is needed. Information is not available for management to compare the costs and benefits of DSS with the earlier system.

For example, the Army Audit Agency reported that during the 18 months ended March 31, 1973, theater stockage objectives were reduced from $30.5 million to $15.7 million in Europe and from $7.1 million to $3.1 million in Korea. Army officials were unable to ascertain, however, just how much such reductions resulted from implementation of the DSS program because troop reductions and other actions to reduce overseas stockage were also taking place at the same time.

Also the Army generally has not studied the additional costs of making greater numbers of small-quantity shipments to the container consolidation points from depots throughout the United States to fill requisitions from individual direct support units rather than filling larger quantity requisitions for overseas depot replenishment. DSS envisioned making 90 percent of shipments from depots very near the containerization points. Large quantities of materiel, however, were being shipped across the United States before being containerized for overseas shipment. (See ch. 3.)

In February 1973 DARCOM studied DSS shipments for 24 days and concluded that $500,000 could be saved annually if the inventory control points used interdepot transfers to reposition materiel near the container consolidation points rather than filling individual requisitions from depots scattered across the United States. DARCOM declared its intent to continue this study on a monthly basis; however, the exercise was never repeated.

Also, the economies and effectiveness expected to result from DSS were premised, to some extent, on the Army's obtaining wholehearted cooperation from DSA and GSA. Weaknesses in these agencies' supply management and/or shipping practices have frustrated rather than enhanced the attainment of DSS goals. (See ch. 5.)

Further, the Army has not achieved its OST goal for DSS. OST on shipments for the 6 months ended March 1975 averaged 67 days for Europe and 74 days for Korea. These OSTs exceeded the DSS standards by 22 days and 19 days respectively. (See chs. 3 and 5.) Despite this, OST had been reduced from pre-DSS time frames, and depot stockage overseas decreased. No data is available, however, to show that resulting savings have more than offset the costs of (1) wholesale activities--within Army, DSA, and GSA--processing greater numbers of requisitions, (2) operating the container consolidation points, and (3) depots outside the theater-oriented depot complexes shipping large numbers of relatively small shipments.

Since we completed our review, OST performance has deteriorated. As of November 1975, OST had increased 9 additional days to Europe and 3 days to Korea. We did not follow up to determine the reasons for these increases other than the problems discussed in this report. However, this additional plunge below OST objectives should be further reason for the Army to make a comprehensive cost benefit study of program operations.

Any cost benefit study undertaken must examine the integrity of data reported by the logistics intelligence file. The success acclaimed for DSS is based largely on performance data computed from information in the file. Much of this accumulated data used for reporting, however, is of insufficient quantity to be representative. Data used to report on the domestic pipeline segment, intransit from depot to container consolidation point, covered only 41 percent of applicable transactions for 1 month and averaged only 66 percent of transactions for an 11-month period we examined. Performance data for this segment should be relatively easy to control because the segment is totally within the continental United States.

The percentage of data available on pipeline segments terminating overseas was generally lower. For a 6-month period data available for the ocean transit segment to one overseas port consisted of only 5 percent of transactions.

We also found that much of the pertinent data concerning GSA shipments was not available. Further, supply tonnage

and dollar value data accumulated in the file was both inaccurate and incomplete.

During a recent effort to redesign its logistics intelligence file, the Logistics Control Activity encountered difficulty in extracting correct data and was unable to produce any DSS performance reports for December 1975 and January 1976.

CONCLUSIONS

We believe a study is warranted to determine whether DSS is more cost effective than the earlier system.

In view of the insufficiency and inaccuracy of data accumulated by the logistics file and the recent system failure, any data obtained from the file to measure performance and costs should be tested for validity. We suspect that requisitions reflecting the poorest performance are among those which do not get into the logistics data base.

Any study undertaken should ascertain how reliable the performance data currently being reported is, and what actions are needed to correct the problems experienced by the Logistics Control Activity concerning insufficient and inaccurate data.

Such a study could pinpoint additional areas needing attention. In the meantime, the Army needs to address other problems discussed in this report. Because DSS seems to offer considerable potential for enhancing overseas supply support, we propose several actions to improve it. Some of these should be implemented immmediately. Others should await the determination that the entire system is cost effective. (See chs. 3 and 5.)

RECOMMENDATIONS

We recommend that the Secretary of the Army:

--Begin developing information to compare costs of supporting DSS overseas including additional costs to DSA and GSA, with the benefits derived therefrom.

--Determine if DSS is cost effective and, if not, whether improvements can be made which will increase the benefits over the costs to obtain them.

AGENCY COMMENTS AND OUR EVALUATION

In a June 23, 1976, letter, the Principal Deputy Assistant Secretary of Defense (Installations and Logistics)

commented on our findings and conclusions. (See app. V.) DOD concurred in our suggestions for corrective action and said that DSS was extended and accepted as the Army standard supply distribution system after an initial 1972 cost analysis indicated that projected savings through fiscal year 1975 more than offset projected costs for the United States supply base. DOD stated that the cost analysis is being updated and that the Army has provided DARCOM more inclusive guidance for including cost effective analysis in future inprocess reviews of DSS.

CHAPTER 3

THE ARMY NEEDS TO INCREASE DSS SHIPMENTS FROM DEPOTS NEAREST CONSOLIDATION POINTS

The Army's goal of filling 90 percent of DSS requisitions from stocks positioned in depots near containerization points and shipping ports had not been achieved consistently. In fact, the effectiveness of the DSS program has suffered and shipping costs have increased because Army inventory control managers have not positioned sufficient assets at the more opportune storage depots and do not have adequate controls to insure that stocks are released from the most advantageous storage location.

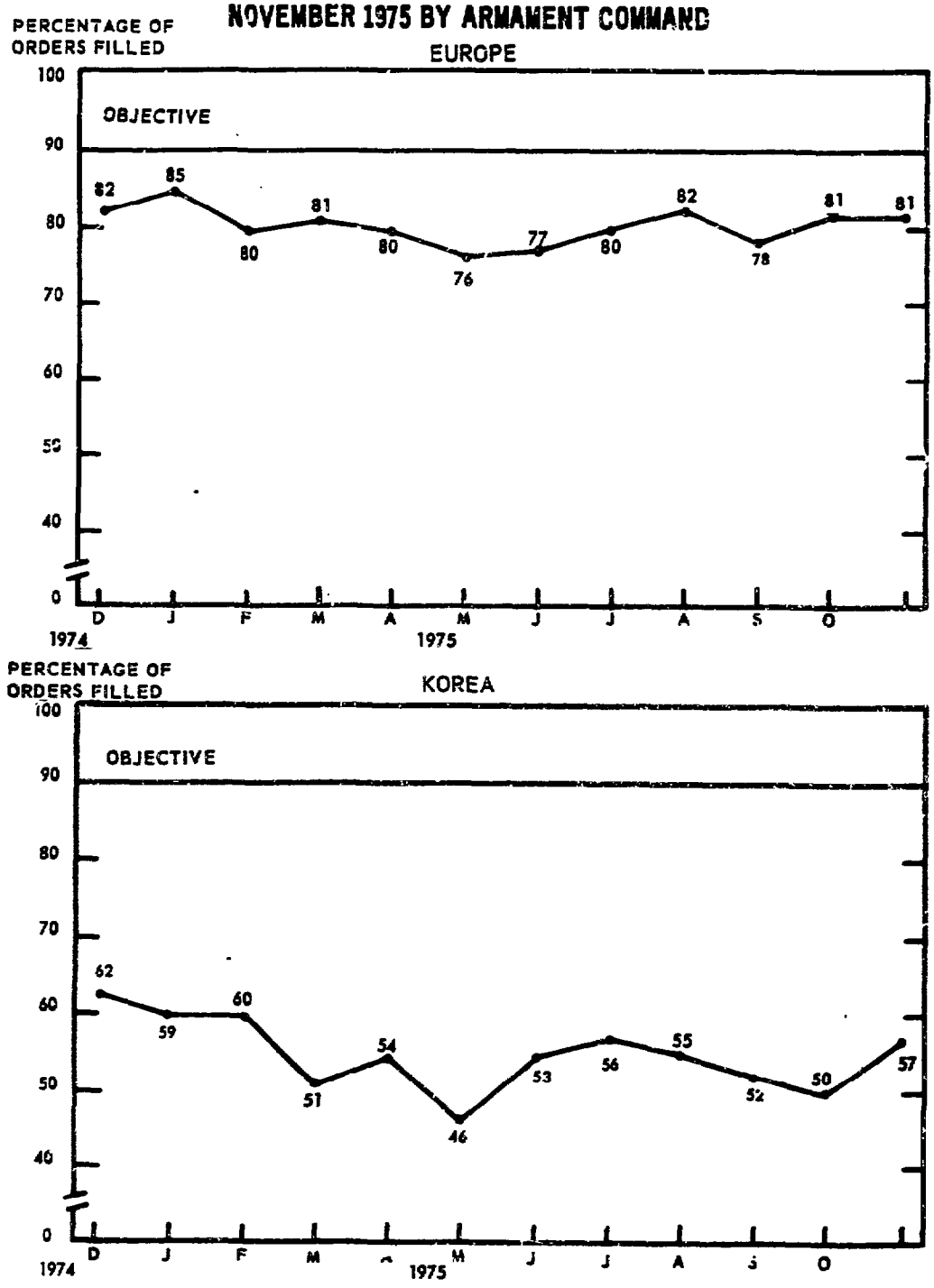
FILL RATES AT THEATER ORIENTED DEPOTS ARE NOT MEETING ARMY STANDARDS

To achieve timely support and reduce pipeline and transportation costs, the Army established a goal of filling 90 percent of DSS requisitions from depots near its consolidation points and overseas ports. Three such depots on the east coast and two on the west coast 1/ were selected and designated theater-oriented depots. (See ch. 1.) This 90 percent objective pertains only to location from where requisitions are filled; it does not concern the time required to fill them. Thus if stock is not available at a theater-oriented depot, the inventory manager must decide whether to backorder requisitions and await arrival of stock, ship stock from a more distant depot, or in case of total stockouts, ship materiel from the first depot receiving stock.

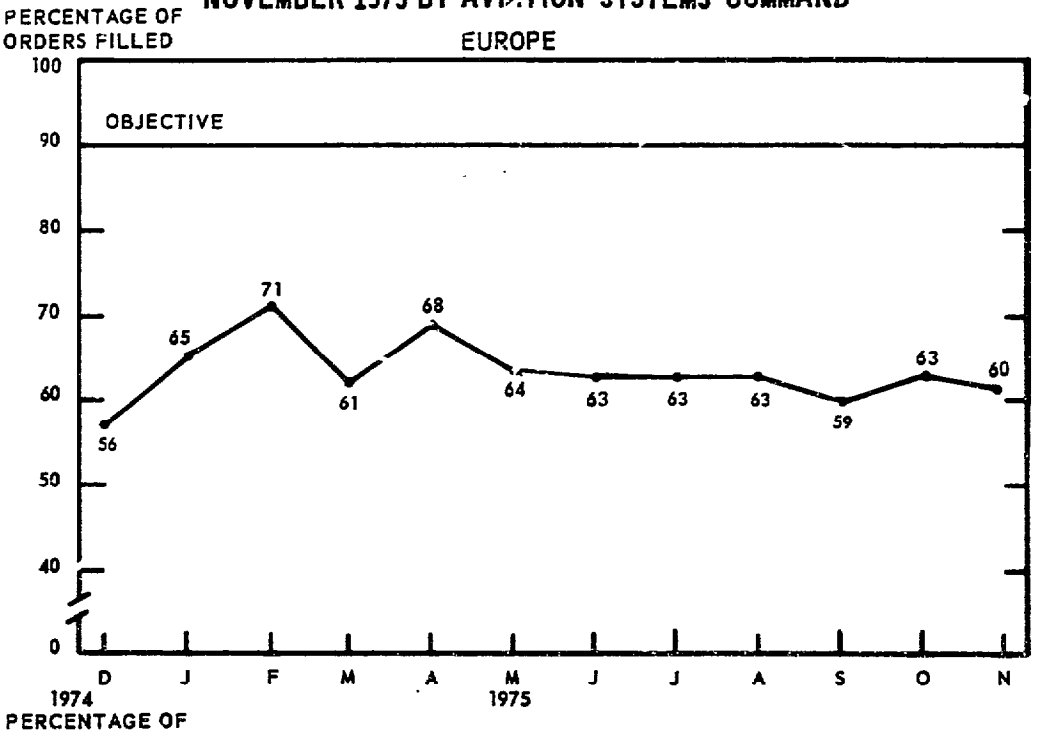
Plans were to position sufficient stocks at these depots to insure that 90 percent of the overseas requisitions could be filled from them, thus avoiding several days transit time from inland depots and higher transportation costs from the large numbers of smaller individual shipments being generated by ISS. These plans and objectives have not been met. The following graphs show the fill rates from theater-oriented depots for the four national inventory control points we visited.

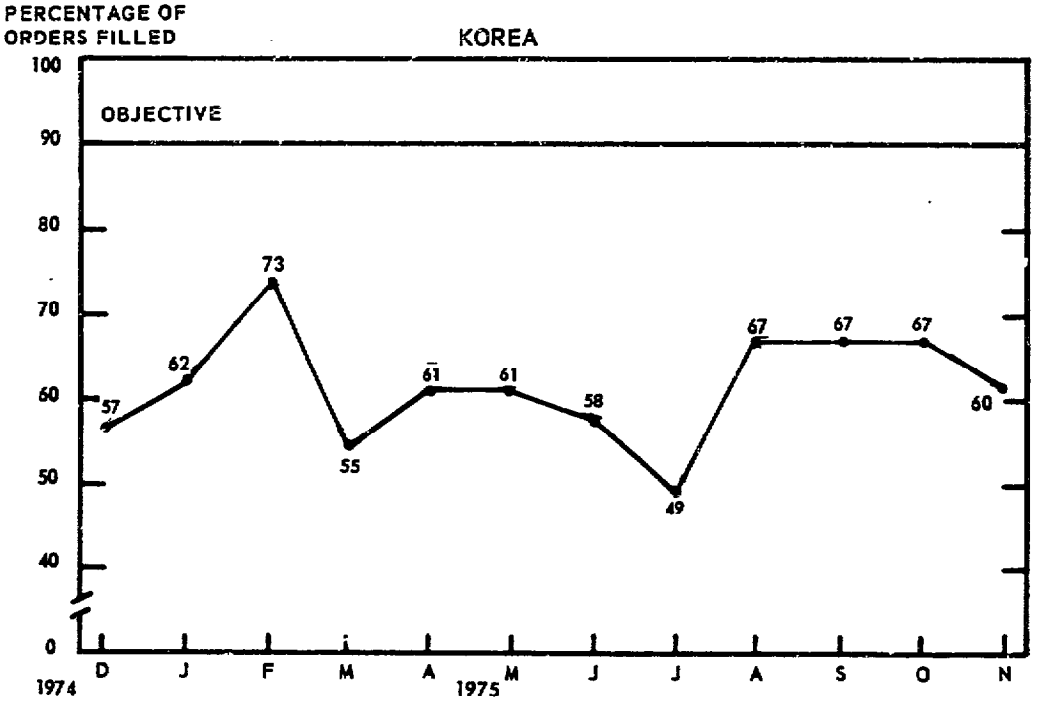
1/During our review the Army began moving toward a distribution plan which uses only one depot on each coast for overseas and domestic support and one in a central location for only domestic customers.

PERCENTAGE OF MATERIEL ORDERS (INCLUDING BACKORDERS) FILLED FROM THEATER-ORIENTED DEPOTS FROM DECEMBER 1974 THROUGH NOVEMBER 1975 BY ARMAMENT COMMAND

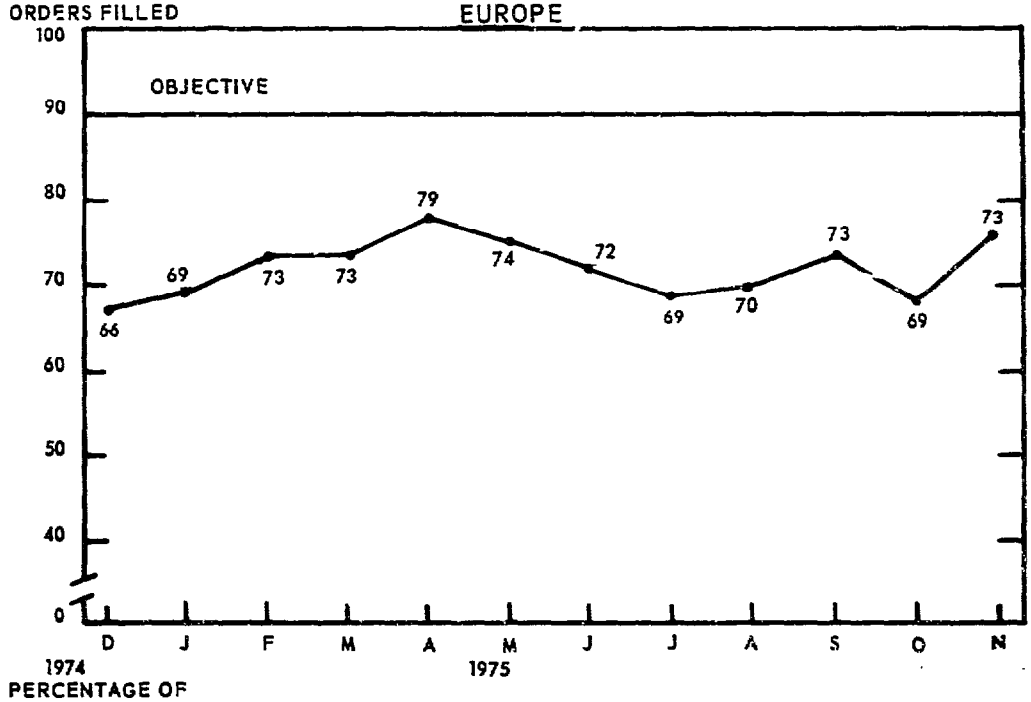


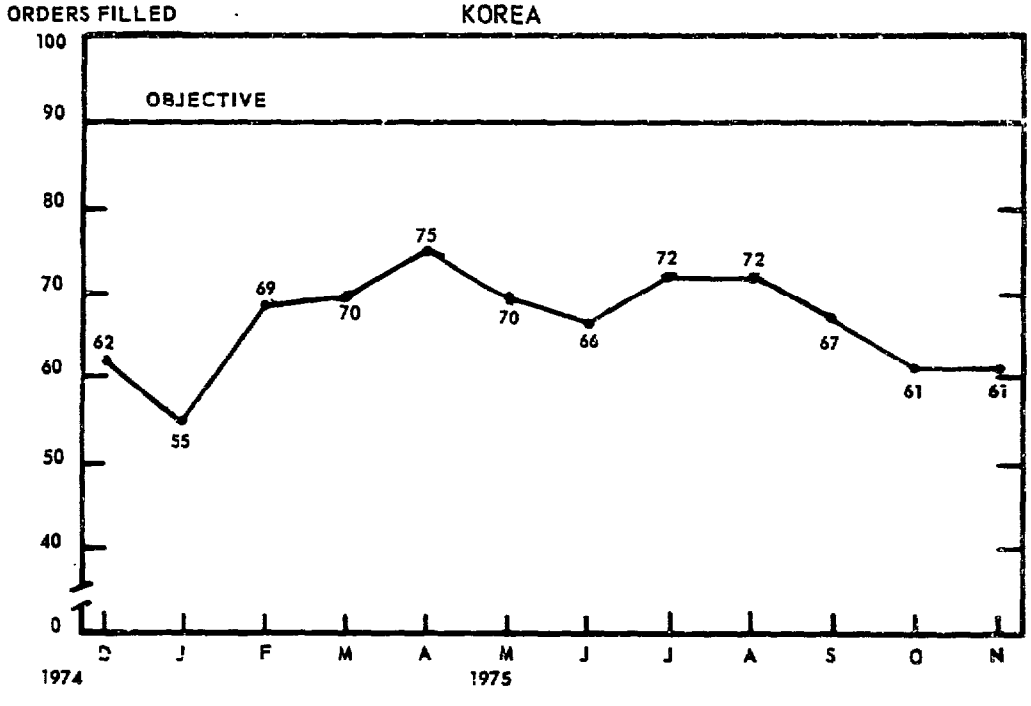
PERCENTAGE OF MATERIEL ORDERS (INCLUDING BACKORDERS) FILLED FROM THEATER-ORIENTED DEPOTS FROM DECEMBER 1974 THROUGH NOVEMBER 1975 BY AVIATION SYSTEMS COMMAND



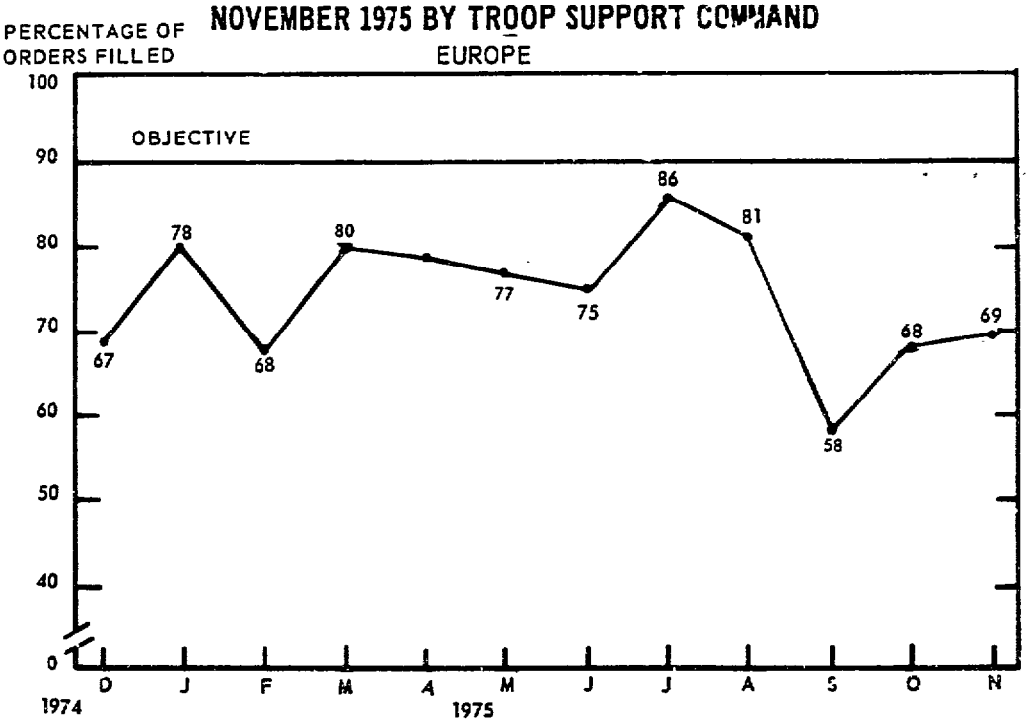


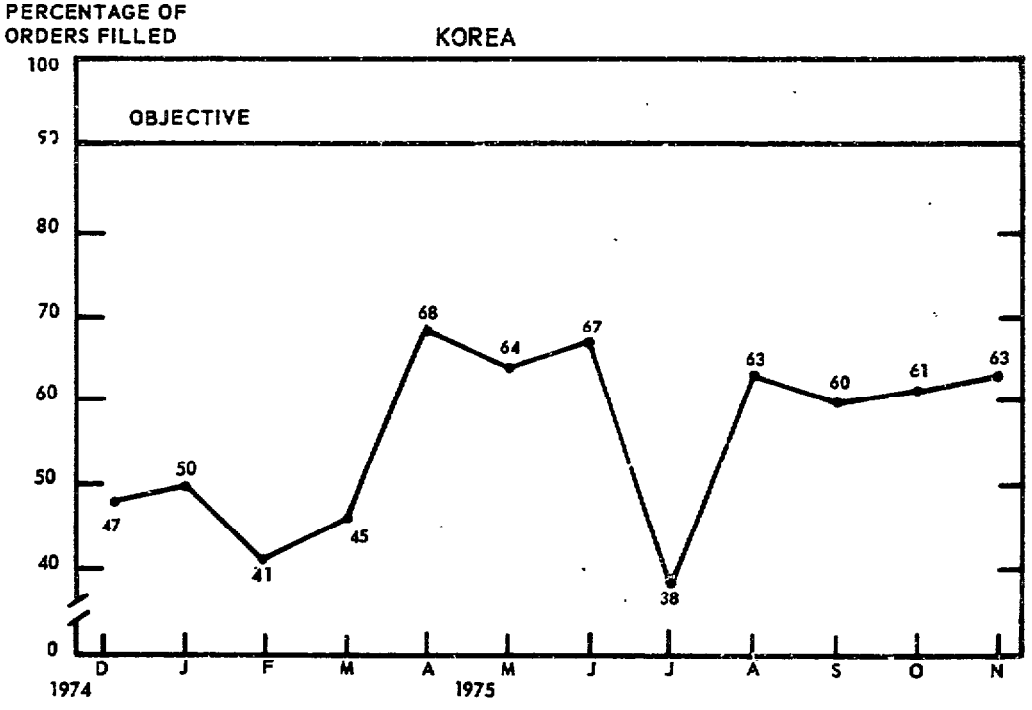
PERCENTAGE OF MATERIEL ORDERS (INCLUDING BACKORDERS) FILLED FROM THEATER-ORIENTED DEPOTS FROM DECEMBER 1974 THROUGH NOVEMBER 1975 BY TANK AND AUTOMOTIVE COMMAND





PERCENTAGE OF MATERIEL ORDERS (INCLUDING BACKORDERS) FILLED FROM THEATER-ORIENTED DEPOTS FROM DECEMBER 1974 THROUGH NOVEMBER 1975 BY TROOP SUPPORT COMMAND





Need for better positioning of stocks to support DSS customers overseas

The Army recognized that stocks would have to be positioned at its theater-oriented depots to realize DSS OST objectives. To achieve this the Army established detailed policy guidance for its national inventory control managers to follow for determining when to transfer assets from the more remote depots to the DSS theater support depots. It also developed a distribution formula to position new procurement items in the DSS support depots. Although distribution procedures for new procurement appeared to be satisfactory, we did not test them. We found some instances, however, in which DSS requisitions were filled from other than theater-oriented depots apparently because of improper initial positioning.

The various inventory control points' implementation of the Army's guidance on interdepot transfers varied considerably. At the Armament Command this guidance was converted into a computer program to be run at least every 6 months. The program identified stocks poorly located and having potential for interdepot transfer actions. In addition, the Armament Command identified in daily and monthly reports DSS shipments from the more distant depots and continually reminded inventory managers to consider the appropriateness of interdepot transfers. It is not surprising, therefore, that Armament Command had the highest fill rates from theater-oriented depots. From December 1974 through November 1975, the rates for all requisitions, including backorders ranged from 76 to 85 percent for Europe. (See graph, p. 12.) Before the Army adopted its depot attrition policy in August 1974 (discussed below), Armament Command reached the DSS 90-percent fill rate goal for Europe for 1 month (June 1974) and averaged 88-percent fill from January through June 1974. These rates excluded backorders; rate of fill for backordered requisitions was even higher. For the same period the rate for Korea ranged from 79 to 87 percent.

One reason for Armament Command's relatively high fill rate was that stocks held at the more remote depots were not automatically released to fill backordered requisitions as was the practice at other inventory control points. By following this practice, the Command achieved as good an OST and a higher theater-oriented depot fill rate on backordered requisition than the other control points. Thus it appears that, by maintaining good asset visibility and making timely interdepot transfers, a good theater-oriented depot fill rate can be achieved without adversely affecting OST.

The Tank and Automotive Command's treatment of interdepot transfers was quite different. The Army Audit Agency's October 1973 report on DSS stated the Command's low theater-oriented depot fill rate was caused, in part, by not making interdepot transfers. During our review interdepot transfers were still not emphasized. Overall statistics indicate interdepot transfers were made infrequently.

At the inventory control points visited we examined DSS requisitions from selected overseas units which had been filled from other than theater-oriented depots. In many cases the improper fill occurred because inventory control points had failed to initially position stocks at theater-oriented depots or had failed to make interdepot transfers for stocks previously positioned. In some instances inventory managers recognized that criteria for making transfers had been met; however, none were made. In others, inventory managers had arbitrarily overridden the procedure for positioning newly procured stocks.

For example, a requisition for two fuel and oil kits which we reviewed at Aviation Systems Command came from Europe. The Red River Army Depot, Texas, filled the requisition because it was the only depot that had stock. The OST for this requisition was 58 days, 13 days over the standard. However, 45 days after this shipment was made, 1,708 of these kits were transferred from the Red River Army Depot to the New Cumberland depot. Had this volume transfer been made earlier, the small quantity shipment from the Red River depot to Europe via the New Cumberland containerization point could have been avoided.

As another example, a Korean unit requisitioned seven pressure filters from Aviation Systems Command. Stock was not available at any depot; therefore, the requisition was backordered. The New Cumberland depot received 75 units from procurement 95 days later and was directed to fill the requisition.

The Sharpe west coast theater-oriented depot had been out of stock for more than a year when this requisition was filled. Aviation Systems Command officials said that previous procurement was directed to New Cumberland because it was near the contractor's plant and that most demands had been from Europe or a maintenance site near New Cumberland. Records showed, however, that (1) previous demands had come from the Pacific, (2) stocks had been transferred from New Cumberland to Sharpe earlier to meet DSS requirements, and (3) the stock distribution formula called for Sharpe to have 40 percent of stock and New Cumberland the balance.

We did not attempt to determine the additional costs incurred by filling requisitions from other than theater-oriented depots; however, a large number of shipments and large quantities of materiel are still being shipped overseas from the more remote depot locations.

For instance, according to the Army's logistics intelligence file, 26 percent of shipments to Europe during the 12 months ended November 1975 were from other than theater-oriented depots, and 22 percent of these were from west of the Mississippi River. During the same period, 36 percent of shipments to Korea were from more remote depot locations. Of these shipments, 21 percent were from depots east of the Mississippi River. For the previous 12 months, 19 percent of the shipments and 42 percent of the tonnage were from depots east of the Mississippi River. (See app. II.)

Also, DARCOM's transportation records showed that during calendar year 1975 the Sacramento Army Depot shipped over 2.5 million pounds of materiel to the New Cumberland containerization point for European customers, while New Cumberland Army Depot shipped nearly 0.9 million pounds of materiel to the Sharpe containerization point for customers in the Pacific. Red River Army Depot, Texarkana, Texas, shipped over 2.7 and 1.1 million pounds to the New Cumberland and Sharpe containerization points respectively, for overseas customers.

DEPOT SCREENING PRACTICES AND ATTRITION POLICY FRUSTRATE DSS PROGRAM

To fill requisitions from theater oriented depots, automatic data processing programs used to locate available stocks must be designed to search the depots for the stocks in proper geographic order. Before our review several inventory control points had experienced problems with their depot search mechanisms, which resulted in stocks at remote depot locations being selected to fill DSS requisitions. Most of these problems were corrected before our review.

During our review, however, DARCOM directed all inventory control points to screen and consider stock at other depots before looking at assets available in theater-oriented depots.

This change in the depot search system was made, we were told, to reduce the level of stocks at various depots designated as attrition sites in connection with the Army's revised supply distribution plan. Army officials said the revised stock selection mechanisms were instituted because

(1) interdepot transfers would be costly and (2) OST would be increased while items were being moved and therefore unavailable for filling requisitions.

The effect of the attrition policy can be seen on the graph in appendix III. For Europe, the Armament Command reached a theater-oriented depot fill rate of 90 percent in June 1974 on requisitions not backordered. The revised search system was implemented in September 1974 and by December 1974 the rate had dropped to 65 percent. By November 1975 Armament Command's fill rate for Europe had recovered somewhat (81 percent) as some of the attrition depots apparently began to run out of stock. However, the fill rate (including backordered requisitions) to Korea continued low as shown on the graph, page 12. The rate for nonbackordered requisitions was even lower. It ranged from 49 to 56 percent from June to November 1975. The fill rates also continued low for the Aviation Systems and Troop Support Commands. (See graphs pp. 13 and 15.)

We discussed our observations with Army officials who said the attrition policy will result in a temporary increase in OST. They also confirmed that attriting stocks at a depot can cause increased transportation costs since the shipment of materiel from an attrition depot by parcel post may cost 40 cents a pound while transferring the same item to a theater-oriented depot by freight might cost only 3 cents a pound.

CONCLUSIONS

the Army should try harder to achieve its objective of 90-percent fill from theater-oriented depots. Attaining this goal will not only increase DSS' effectiveness and responsiveness but also reduce the higher transportation costs associated with current distribution practices. A number of actions are needed to improve chances of meeting the 90-percent fill objective.

Inventory control points need to insure that their initial stock positioning procedures are working properly and that inventory managers are not permitted to arbitrarily override these controls. The Army needs to insure that its policies on interdepot transfers are implemented and that transfers are made when they would be cost effective.

The Army's attrition policy, which has been incorporated into automated depot search systems, will result in lower theater-oriented depot fill rates and increased transportation costs. If selected depots are to be closed, a more effective approach would be to transfer the stocks in

bulk, using the same distribution formula as for procurement positioning. Transportation costs for bulk shipments should be much less than for stocks shipped piecemeal to fill small quantity requisitions from overseas direct support units. Nonavailability of stock while in transit should not present a problem because stocks should be already positioned at theater-oriented depots to fill most DSS requisitions.

RECOMMENDATIONS

We recommend that the Secretary of the Army:

--Insure that procedures for initial stock positioning provide for stocks to be distributed to appropriate depots based on the latest customer demand information and that inventory managers be required to justify any decisions to override this procedure.

--Direct that the existing policies on interdepot transfers be implemented and that whenever possible the procedures be automated.

--Direct that, in event of depot closures, active stocks be transferred in bulk shipments to appropriate depots unless the closing depot is in the immediate vicinity of a theater-oriented depot or containerization point.

--Direct that systems for screening depot stocks be programed to first search the depots in the appropriate theater-oriented depot complex, then the remaining depots in the order of their geographic proximity to the containerization point.

AGENCY COMMENTS AND OUR EVALUATIONS

DOD agreed that stocks should be distributed to appropriate depots based on customer demand and said the Army is monitoring each commodity command's distribution effectiveness to insure that present systems and procedures are adequate. The Army is also providing instructions requiring inventory managers to justify any deviations from stock positioning procedures established by Army Headquarters. (See app. V.) DOD stated that another essential factor not previously considered in stock positioning was the net asset position of stock in the distribution depots. The Army is developing a program change, to be implemented in the first quarter of fiscal year 1977, that will consider both customer demand and the depots' net asset positions when distributing new procurement stocks.

DOD concurred that existing policies on interdepot transfers should be implemented and, whenever possible, automated. DOD said that the previous restrictions on bulk relocation of stocks were lifted when, in December 1975, the Army directed its national inventory control points to bulk relocate the top 90 percent of Europe's high-demand items into New Cumberland depot and in March 1976 when similar action was taken to move stocks into Sharpe depot. DOD further said when actions are completed to properly position stocks from new procurement, the need to make further interdepot stock transfers will be minimized.

DOD agreed with our proposal that when depots are to be closed, stocks should be transferred in bulk shipments and said that in event of depot closures or when depots lose their supply distribution missions, the Army has directed bulk transfers of active stocks; this policy will be continued in the future.

In commencing on our proposal to first search for stocks at appropriate theater-oriented depots DOD agreed that in the long term this should be done. It said, however, that this action must wait until all stock is removed from the nondistribution depots via attrition and interdepot transfers.

DOD's position on the above two proposals is inconsistent. Concerning the former, DOD said the Army has directed bulk stock transfers when depots were being closed or lost their supply mission. In the latter proposal, DOD discloses that the Army is still pursuing its attrition policy--that is, depleting stocks at nondistribution depots by filling direct support units' individual requisitions.

The latter statement more accurately describes the actual situation. The practice of attriting stocks--rather than moving them in bulk transfers--is reflected in the low theater-oriented depot fill rates discussed on page 18 and the long OSTs discussed on page 8. It is encouraging that the Army has begun directing bulk transfers of stock. As long as the Army continues its attrition policy, however, many stocks will be shipped from depots far from containerization points, unnecessary transportation costs will be incurred and supply support will be less effective. Action is needed now to stop this practice. In line with other actions being taken to properly position stocks, the Army should immediately revise its depot screening systems to search first for stocks at depots nearest the containerization points.

CHAPTER 4

DSS DEPOT SAFETY LEVEL OVERSEAS SHOULD BE ELIMINATED

Although overseas theater stocks have already been reduced--some as a result of DSS--further reductions are possible. We examined the purpose and justification for the DSS theater safety level maintained in Europe and Korea and concluded that the 30-day level of depot safety stocks was not needed. As a result of our proposal that the safety level be discontinued, the Eighth Army eliminated about $2.4 million of safety stocks in Korea and canceled about $325,000 of requisitions due in for the safety level. The European command, however, disagreed and has continued to maintain depot safety level stocks of about $4.25 million.

A major factor considered in managing supplies at overseas units is the requisitioning objective. The safety level makes up a large part of the requisitioning objective, expressed: requisitioning objective = safety level + operating level + OST. OST represents stocks in the supply pipeline because OST is the time elapsing between the submission of a requisition and the receipt of the materiel requisitioned. Operating level represents stocks required to sustain operations during the interval between successive replenishments. Safety level represents stocks required to be onhand to permit continuous operations if normal replenishment efforts are interrupted or unpredictable fluctuations occur in demand.

IMPACT OF DSS ON SAFETY LEVEL STOCKS

A major DSS objective is to use resources more efficiently by reducing stockage at middleman supply activities. Accordingly, most overseas direct support units' requirements should be met by direct delivery from U.S. depots, thereby bypassing overseas theater depots where materiel is broken down for delivery. This concept should reduce inventories and storage facilities in overseas supply operations. DSS stockage policy limits overseas depot stocks to war reserve stocks or a safety level based on variable demand for essential items not included in war reserves or stocks positioned for special projects.

Safety level and war reserve stocks may be used to meet high-priority emergency requirements. Accordingly, DSS procedures allow overseas commands to fill high-priority

(priority group I) requisitions from incountry assets down to, and including, safety level and war reserve stocks. Requisitions for materiel needed to repair out of service equipment are also filled from incountry assets down to and including safety level stocks. Priority group II requisitions, however are to be filled incountry only if stocks on hand are above the safety level and war reserve, and low-priority requisitions are to be filled incountry only from excess or retention stocks.

An October 16, 1973, Army Audit Agency report stated that overseas commanders had continued to maintain theater depot stocks to fill requisitions that could be filled directly from U.S. depots, and maintained safety levels for nonessential items and in duplication of war reserve stocks. The Army Audit Agency recommended that overseas commanders be required to limit overseas depot stockage in support of DSS demands to reserve stocks or a variable safety level, for only essential items that were not duplicated by war reserves or project stocks.

SAFETY LEVEL ELIMINATED IN KOREA

When we began examining DSS operations in Korea, the Army was maintaining a 30-day depot safety level for DSS supported items, for which there were recurring demands, without regard to war reserves. In addition, the direct support units and supply points had a 15-day safety level as part of their requisitioning objective. We concluded that the 30-day depot safety level was not needed and proposed that the Army delete it. Shortly thereafter we were informed that the U.S. Army, Pacific, had requested the Army Computer Systems Command to revise the computer programs to delete those safety levels in which war reserve levels were equal to or greater than the computed safety level. This revision apparently was made in response to the Army Audit Agency report.

Subsequently, however, the Commander, Eighth Army, fully implemented our proposal. He issued a directive requiring deletion of current depot safety levels for items not in war reserves and cancellation of all requisitions against the safety levels for which shipping notices had not been received. The Eighth Army said DSS depot safety levels valued at about $2.4 million were eliminated and over 1,500 requisitions valued at about $325,000 were canceled.

SAFETY LEVEL STOCKS IN EUROPE SHOULD BE ELIMINATED

The U.S. Army Material Management Agency, Europe, also maintained a 30-day DSS depot safety level, which included about 10,000 line items and was valued at about $4.25 million. According to its officials, the DSS safety level is maintained to provide (1) a level of stocks to fill requisitions for materiel needed to repair out-of-service equipment, (2) an alternative source of supply in the event U.S. supply support deteriorates because of national emergencies such as strikes or an energy crisis, and (3) emergency satisfaction of personal necessity items for European-based U.S. military personnel.

Army Material Management Agency officials told us that many items needed to repair out-of-service equipment are included in safety level stocks but are not in the war reserve. These are the types of items that could cause equipment to be deadlined during peacetime but not in wartime. An example these officials gave was a windshield wiper for a wheeled vehicle. During hostilities a vehicle would be operated without a wiper if none was available; therefore, it does not qualify for war reserves. In peacetime, however, German law requires that vehicles be equipped with wipers.

If the windshield wiper is typical, satisfaction of requirements for materiel needed to repair out-of-service equipment is poor justification for the safety level. At all times, some vehicles are out of service being maintained. A substitute wiper could easily be taken from one of these to satisfy the requirement.

Further, though some requisitions involving out-of-service equipment may be necessary to obtain items not in the war reserve, the rate of these in the European theater seems to be excessive. During a 12-month period ended August 1974, two or more such requisitions each were submitted for about 5,000 line items included in the DSS safety level. Many of the problems resulting in excessive out-of-service equipment requisitions appear to be at the direct support and other unit level. Some of these problems are caused by the units' not keeping their prescribed load lists stocked. When this occurs items may be dropped off the support unit's authorized stockage list. Therefore, a requisition may unnecessarily go to the Army Material Management Agency or to the United States for fill because adequate stocks are not maintained at the direct support and other unit levels.

If the problems discussed above are solved, there should be even less need to maintain the DSS depot safety level. Also, eliminating the safety level might force correction of the problems, since the units could no longer depend on middleman stockage to cover their shortcomings.

Material Management Agency Officials, although unwilling to eliminate the entire safety level, said the Agency (1) is reducing the approximately 12,400 line items on the theater authorized stockage list which have no reserves except the DSS safety level and (2) under a revised stockage policy, will consider deleting all the safety level except for items for which stockouts caused equipment to be out of service two or more times during the preceding year. Agency officials also said that despite several national emergencies in the United States, such as the truckers' strike, dock strikes, energy crisis, floods, and other adverse weather conditions, U.S. support has never deteriorated to the point that the Army has had to operate exclusively from the safety level.

CONCLUSIONS

Retaining a theater safety level in Europe has provided an uneconomical convenience to direct support and operating units. Elimination of the safety level should result in better overall supply performance by (1) forced improvement in supply discipline resulting in fewer high priority requisitions and requisitions for materiel needed for out-of-service equipment, (2) more requisitions being passed to the United States. which should result in lower transportation costs through better container utilization and a shorter OST through reduced consolidation/containerization hold time, and (3) reduced costs of managing stocks overseas.

Another benefit would be reducing backorders during the attrition of these stocks. Direct support unit requisitions could be filled to the maximum extent possible from the safety level stocks regardless of priority, and in some cases backordered requisitions for low priorities might be canceled, since the stocks backordered may have been maintained in the safety level to fill high priority or requisitions for materiel for out-of-service equipment.

Concerning personal necessities, DSS should be responsive to the normal satisfaction of these without extra layers of backup support. Since one of DSS' primary purposes is to bypass the middleman, the role of a theater activity as an intermediate supply point frustrates the attainment of the supply economies contemplated under DSS.

RECOMMENDATION

Although measures are being taken in Europe to reduce the DSS depot safety level, such actions can at best achieve only part of the available gains. We recommend, therefore, that the Secretary of the Army direct that the 30-day safety level of about $4.25 million be eliminated.

AGENCY COMMENTS AND OUR EVALUATION

DOD agreed with our proposal and said in the plans for the future logistics support of Europe, to be implemented in fiscal year 1977, the Europe depot safety level will be eliminated. (See app. V.) In conjunction with this effort, DOD stated, a limited 30-day safety level of essential items will be maintained by the theater corps support commands for emergency requirements.

We consider this planned action responsive to our proposal.

CHAPTER 5

NEED FOR BETTER GSA AND DSA SUPPORT

When implementing DSS the Army included support items provided by other Government supply activities which normally furnish materiel to the military services. By virtue of this DSS embraces and depends upon DSA and GSA for many support items. In fact, these agencies provide the majority of DSS materiel shipped overseas.

These agencies' distribution procedures and supply practices for support of DSS need to be improved for the Government to realize the reductions in inventory investment envisioned under the DSS concept. Specifically, GSA needs to expedite the movement of DSS materiel from its depots to the Army's designated container consolidation points and should shift its support of the Pacific area from the Auburn, Washington depot to the depot in Stockton, California. DSA needs to improve its response time by processing requisitions promptly and positioning more stocks in depots nearer the DSS container consolidation points.

IMPROVEMENTS NEEDED IN GSA SUPPORT PRACTICES

GSA has designated two of its offices as prime regions for supporting the Army DSS program overseas. All DSS requisitions originating in Europe for GSA-managed items are passed to the New York region for processing, whereas requisitions originating in the Pacific theater are directed to the Auburn, Washington, region.

The New York region operates the Belle Meade and Raritan depots in New Jersey and an export packing facility at Bayonne, New Jersey. The New Jersey depots are within 175 miles of the Army east coast container consolidation facility at New Cumberland.

The Auburn region operates only one depot which is at the Auburn Headquarters office. Included in this depot is an export packing facility. Auburn is about 800 miles from the Army west coast container consolidation activity at Sharpe Army Depot.

GSA distribution practices are not compatible with DSS' OST standards

Recognizing that even a 1-day OST extension can cost hundreds of thousands of dollars in inventory investment, the Army established clearly defined OST objectives for its wholesale activities to meet in processing a requisition and

releasing the materiel to the DSS container consolidation points. The standard is 8 days; for shipments to Europe an additional 12 days are allowed for transporting materiel to the consolidation point, stuffing containers, moving materiel to the ports, and awaiting scheduled overseas lift. Thus within 20 days after a DSS requisition is received at a wholesale supply activity, the materiel should have been pulled from stock, containerized, and at the port ready for ship departure.

GSA depots supporting the DSS program were delaying the movement of DSS materiel and extending OSTs. Instead of following the established DSS flow pattern and shipping items to Army container consolidation points the depots frequently held shipments for extended periods to accumulate container loads for direct delivery to ocean ports. In addition, materiel which the GSA depots decided to ship to the Army consolidation points was often delayed because it was held in anticipation of accumulating full container loads. As a result of these practices, GSA has exceeded the Army's 20-day processing objective.

For example, information available in the Army's logistics intelligence file on DSS requisitions directed to GSA's New York City region during November 1975 showed that GSA was averaging 29.9 days to process and make materiel available at ports for overseas delivery to Europe. For DSS shipments to Korea during this same period the file showed that the Auburn, Washington, depot was experiencing an average of 30.3 days against a standard of 24 days for materiel shipped directly to the port. Obviously these time frames are well beyond the Army's 20- and 24-day objectives for this segment of the DSS pipeline.

Moreover, the above time frames are probably understated. The reports produced from the logistics intelligence file show identical processing times for all materiel GSA sent to the same overseas theater, whether it is sent to the Army consolidation point or held for consolidation at a GSA depot. Our test of requisitions processed, however, showed that materiel which the New York region shipped directly to the port took an average of 2 weeks longer to process than materiel forwarded to the Army consolidation point. We analyzed 175 requisitions originating in Europe for supply items which were available for immediate shipment from either the Belle Meade or Raritan depots. We found that the average processing time was 32.7 days for materiel shipped directly to the port and 18.7 days for materiel shipped to the Army consolidation point at New Cumberland.

Within these processing times the materiel was held at the GSA depots an average of 20.2 and 9.1 days respectively, after it was available for shipment. As discussed earlier, the Army standard for total wholesale processing time including requisition processing, picking, packing and shipping DSS materiel is only 8 days.

Some of the DSS materiel held at GSA depots to accumulate more economical shipping loads were items which GSA had referred to vendors for direct delivery. GSA should discontinue this practice and have vendor shipments delivered directly to the Army consolidation activities. This would avoid the additional transportation and handling costs which now occur when vendors' deliveries are shipped to GSA depots, held for consolidation, and then shipped to the Army container consolidation activity.

We discussed these matters with GSA officials. Headquarters officials told us that the New York region was not following instructions and that the Auburn region had received new instructions early in 1975. The officials gave us the new instructions, issued during our review, and the superseded instructions which were in effect through January 1975.

The superseded instructions did not specify, except for high-priority cargo, how long materiel could be held to accumulate container loads. However, we obtained an additional headquarters instruction from region officials which specified that materiel could be held 15 days for accumulation, in addition to 24 days allowed by the Uniform Military Movement and Issue Priority Standards for wholesale activities to process requisitions and move materiel to the ports for overseas shipment.

The new instructions, dated January 1975, specified generally that less than container loads should be held for 7 days pending accumulation of full container loads. Considering the wording of this instruction and the one obtained at the region, region officials' interpretation seems to be that the 7 days' cargo accumulation time is in addition to the 24 days the uniform military standards allowed to wholesale activities.

Auburn officials told us that their reluctance to ship cargo to the Army containerization point was also based on time, volume of cargo, and transportation costs. A New York region official said it made no sense to ship materiel inland to the containerization point only to have the materiel shipped past the GSA depots on its way to the port. He also said GSA must pay for transportation to the containerization point but not to the ports.

Instructions on vendor shipments which were in effect until January 1975 appeared confusing. One section specified that requisitions applicable to DSS would be prepared and processed in accordance with the provisions of Military Standard Requisition and Issue Procedures (which authorize the lengthy cargo accumulation period); another section specified that shipments weighing less than 10,000 pounds or measuring less than 800 cubic feet were to be directed to Army containerization points.

New instructions dated January 30, 1975, provide that the region will give a complex evaluation to vendor shipments going to a single DSS customer and weighing 4,001 pounds and over to determine the most economical mode of shipment. The instructions do not say how shipments 4,000 pounds and under are to be handled.

GSA depot at Stockton, California, could provide better support for DSS in the Pacific

GSA's support of the DSS program in the Pacific would be more effective and economical if GSA would transfer its DSS operations from the Auburn, Washington, depot to its depot at Stockton, California.

The transit time and cost to truck materiel the 800 miles from Auburn to the Sharpe Army Depot has virtually ruled out shipments to the Army's container consolidation activity. For example, in fiscal year 1974, the Auburn depot containerized and shipped about 27.6 million pounds of DSS materiel directly to ports for overseas delivery to Pacific customers but shipped less than 1 million pounds to Sharpe. Shipping cost was cited as the primary reason for this imbalance. Based on the weight of individual shipments, motor transportation from Auburn to Sharpe cost GSA from $2.15 to $5.55 per hundredweight compared with a cost of 27 cents per hundredweight for materiel containerized and shipped directly to the ports at Seattle and Takoma, Washington. In addition, GSA officials at Auburn estimated that shipping DSS materiel to Sharpe could add from 7 to 15 days to the OST cycle. This estimate of increased OST seems too severe, but we do agree that these factors make movement of DSS materiel from Auburn to Sharpe impractical.

An alternative exists, however, which would improve GSA's support of the DSS program and allow the Army to enjoy economies of scale by more efficiently using its container consolidation point at Sharpe. Under this alternative GSA would transfer support of the DSS program from Auburn to its depot at Stockton.

The Stockton depot is only 6 miles from Sharpe, stocks a wider range of items than does Auburn, and has available capacity to support the DSS program in the Pacific. Based on the quantity of DSS cargo shipped by Auburn in a year (about 29 million pounds), the Stockton depot should be able to accumulate an average of four to six truckloads of DSS materiel each day for shipment to Sharpe. This materiel could be shipped daily by Government vehicles to minimize transportation costs and control the frequency of shipment. With such additional volumes of cargo, the consolidation activity at Sharpe could achieve better container utilization and conduct a more efficient container-stuffing operation.

Supporting DSS out of the Stockton depot offers other advantages. As mentioned earlier in this chapter, the Auburn depot is not meeting Army time standards for processing DSS requisitions and having materiel available at ports for overseas shipment. Auburn's average time for processing materiel and making it available for shipment to Korea for November 1975 was at least 30.3 days and probably longer. This is well beyond the Army's 24-day standard. We also noted that from May through October 1975, ship transit time for Auburn shipments averaged three days longer than Sharpe's shipments. Although we did not ascertain the reason, ships departing Seattle/Tacoma ports apparently make additional calls enroute, thus adding several days to the pipeline.

The close proximity of Stockton to Sharpe should provide a controlled and rapid flow of materiel between the depots and enable the Army to meet the OST objectives established for the DSS program. These objectives must be met if the Government is to realize the inventory investment savings envisioned under the program.

GSA officials concluded in a 1975 study that the Auburn depot should continue supporting DSS customers in Korea and other northern Pacific countries. They said decisions were based on such factors as cost, convenience, workload impact, and volume of materiel. The study inadequately considered, however, the decision's effect on total distribution costs to the Government and on effective supply support for the Army. For example, it did not consider the option of shipping materiel to the DSS containerization point except for those small quantities where GSA was unable to accumulate a container load after holding materiel the full time permitted by the uniform military standards. In region X this has amounted to less than 2 percent of total DSS cargo shipped. Nor did GSA's study consider the potential reduction in Army pipeline stocks or the potential for economies of scale discussed above.

IMPROVEMENTS NEEDED IN DSA SUPPORT PRACTICES

Several areas in the DSA supply distribution system need to be improved to enhance the effectiveness and efficiency of the DSS program. Specifically, we observed that DSA

--is not positioning sufficient assets at depots nearest the container consolidation points,

--does not screen depots in a way that insures stocks shipped to container consolidation points are shipped from the most opportune storage location,

--is bypassing the Army container consolidation activity when directing shipments from locations where stocks are being attrited, and

--has not accepted or followed the reduced OST standards that the Army established for DSS.

Because of these practices, the OST cycle for DSS requisitions processed by DSA has been extended, resulting in poor supply response and increased inventory investment costs.

DSA support structure for DSS

Requisitions for DSS materiel are directed to the five DSA supply centers which function as national inventory control points for designated classes of materiel. To support DSS, these supply centers use DSA's seven major defense depots, three specialized support depots, several direct supply support points, and attrition stocks stored at military service depots controlled by the Navy, Air Force, and the Marine Corps. The major depots are located at Mechanicsburg, Pennsylvania; Columbus, Ohio; Dayton, Ohio; Memphis, Tennessee; Richmond, Virginia; Ogden, Utah; and Tracy, California.

The pattern of depots comprising the materiel distribution system for supply centers varies based on the commodities managed. However, stocks of each type commodity are maintained at several of the major depots or other stockage points. The depot selected to fill a DSS requisition usually sends the item requested to the appropriate Army container consolidation point for delivery overseas.

DSA stock positioning impacts adversely on DSS program

Shipping materiel across the United States in small quantities before placing it aboard ships for overseas

delivery is obviously more costly and time consuming than shipping from depots near overseas departure points. Information obtained from the logistics intelligence file for December 1974 through November 1975, however, shows that DSA made over 62,000 shipments from Tracy and Oakland, California, and Ogden, Utah, to the Army's east coast containerization point at New Cumberland and over 35,000 shipments from six eastern depots to the west coast containerization point at Sharpe.

The impact of DSA's poor stock positioning for DSS is further illustrated in appendix IV by the percentage of shipments from DSA depots through DSS to European and Korean direct support units for the 12 months ended November 1975. For example, of DSA's shipments to Europe, only 9 percent was from the Mechanicsburg depot, which is about 10 miles from New Cumberland. Over 52,000 DSS shipments to Europe were made from the Ogden, Utah, depot. Of DSA's shipments to Korea, 30 percent was from depots east of the Mississippi River while only 12 percent was from the Tracy depot which is only 11 miles from Sharpe.

Both OST and transportation costs may be increased if DSS shipments are filled from inappropriate depots. The November 1975 DSS performance evaluation report shows that on shipments to Europe from DSA depots from June 1975 through November 1975, intransit time to New Cumberland averaged 8 days. For the same period and destination, intransit time on Army shipments was 4.1 days. During November 1975 average intransit time for DSA shipments to New Cumberland ranged from 2.5 days for shipments from Richmond, Virginia, to 12.7 days for shipments from Ogden, Utah.

We did not attempt to compute the unnecessary costs DSA incurred in sending so many shipments across the continent. However, as can be seen from the following table of estimated shipping costs furnished to us by DSA officials, the additional costs can be substantial.

Estimated Costs Per Hundredweight for
Less-than-Truckload Shipments

From	To New Cumberland Army Depot	To Sharpe Army Depot
Mechanicsburg, Pennsylvania	$ 1.00	$10.37
Columbus, Ohio	2.98	9.51
Memphis, Tennessee	4.90	8.03
Ogden, Utah	8.01	4.44
Tracy, California	10.37	(a)

a/According to DSA officials, shipments to Sharpe are made by Government vehicles, and data on the costs of such shipments has not been compiled.

Army officials told us that, in September 1974, they asked DSA to position selected fast-moving, low-weight and cube items at either the Mechanicsburg Defense Depot or the New Cumberland Army Depot. The Army felt that positioning items at either location would permit rapid response to European requirements as well as provide assurance to the overseas commanders that high-demand items would be available quickly. We noted that DSA currently positions selected stocks at two Navy supply centers to support Navy operations.

DSA officials advised us it would not be possible to position the desired items at Mechanicsburg and Tracy because the type storage facilities needed are not available. During our review DSA advised DARCOM that it would examine the feasibility of positioning selected items at New Cumberland Army Depot to support DSS better in Europe. In December 1975 DARCOM furnished DSA a list of high demand items that it preferred to have positioned at New Cumberland. DSA had not reached a decision, when our review ended, whether it was feasible to preposition these items at New Cumberland.

DSS materiel is not being released from the most opportune storage locations

DSA's supply centers use automated source preference tables to determine the order in which defense depots and other storage locations will be screened for stock availability and selection of shipping source. At two supply centers we visited, source preference tables were designed to meet specific DSA stockage objectives or reduce DSA's costs, without regard to the effect on DSS.

DSA policy calls for preferential action to deplete stocks at attrition sites as rapidly as possible. At the

Defense Industrial Supply Center, this resulted in source preference tables that screen all attrition depots assigned to either the Atlantic or Pacific area, whichever is applicable, before screening stocks at the designated principal defense depot.

Although we were unable to determine the exact extent to which the source tables resulted in DSS requisitions being filled from depots other than those nearest Army containerization points we believe they unavoidably contribute to the large number of cross-country shipments as discussed earlier (see app. IV) and to the long intransit time between depots and containerization points. (See p. 33.) For instance, the Mechanicsburg depot, Pennsylvania, which is the principal defense depot nearest the Army's European containerization point, is not screened for stocks until all Atlantic area attrition sites have been screened. These sites reach as far west as Corpus Christi and San Antonio, Texas. For Pacific customers, stocks at Hill Air Force Base, Utah, and Pueblo Army Depot, Colorado, are screened before those at Defense Depot, Tracy, California.

DSA's attrition policy also compounds an effect, adverse to DSS, resulting from another problem in processing DSA-owned materiel. The Air Force, Marine Corps, or Navy controls many of DSA's attrition sites. Shipments from these sites are channelled not through DSS but through regular break-bulk channels, thus denying the Army consolidation points the opportunity to achieve economies of scale and better container utilization from the additional volume represented by these shipments.

By screening stocks at these attrition sites first, DSA increases the chances that materiel requisitioned by DSS units will be shipped outside DSS channels thereby defeating the system's objectives. The major defense depots generally have sophisticated materiel handling systems for expeditious processing of shipments, but we suspect that shipments are processed more slowly at many attrition sites.

At the Defense Personnel Support Center, the source preference tables combined the attrition policy with a local determination that Pacific area requisitions would be filled from east coast depots. The latter was based on past studies that reportedly showed it was cheaper and faster to ship to Pacific customers from east coast ports rather than ship cargo overland for embarkation at west coast ports.

The resulting source preference tables provide that (1) for Pacific shipments, stocks at Richmond, Columbus, and

New Cumberland (attrition) are screened before those at the principal defense depot at Tracy and (2) for European customers, attrition stocks at New Cumberland and stocks at Columbus and Tracy Defense depots are screened ahead of stocks at Mechanicsburg.

DSA's attrition policy and the determination to ship to the Pacific from east coast ports both defeat DSS' purposes; the latter obviously does not even consider the concept and routing of DSS shipments.

DSA officials advised us that (1) the Army is only one of DSA's several customers and is not treated differently from other customers, (2) DSS comprises only a small part of Army's total requirements placed on DSA, and consequently (3) DSA uses its normal distribution procedures when processing DSS shipments. The officials also said they were obligated to follow the Military Standard Requisition and Issue Procedures rather than DSS, which was not standard.

DSA should strive to meet DSS OST objectives

In connection with DSA's conformance to the military standard procedures, officials said DSA also adheres to Uniform Military Movement and Issue Priority System time standards for those processing segments under its control. These standards (see p. 29) allow much longer time frames than do the DSS objectives for processing low-priority requisitions which comprise the majority of DSS requirements.

DSA's procedures, therefore, increase DSS overall average OST by several days because DSA fills the majority of DSS overseas requisitions. The impact of this can be seen below in the comparison of OST for Army shipments with that for DSA shipments to Europe and Korea.

Comparison of Total OST
all Nonbackordered European DSS
Requisitions Completed During November 1975

	Requisitions completed	Average OST (days) Priority group I	Priority group II	Priority group III	All priorities
Army	8,036	42.5	55.5	60.3	57.0
DSA	15,188	46.4	64.3	77.4	71.7
Total	23,224	45.1	61.3	71.5	66.6

Comparison of Total OST
All Nonbackordered Korean DSS
Requisitions Completed During November 1975

	Requisitions completed	Average OST (days) Priority group I	Priority group II	Priority group III	All priorities
Army	4,081	45.6	63.0	73.4	65.8
DSA	6,777	50.4	81.7	89.9	83.3
Total	10,858	48.6	74.7	83.7	76.7

These longer OSTs for DSA shipments result in increased pipeline costs as

--higher costs for funding stocks in the longer DSA pipeline and

--higher costs from direct support units using a longer OST in computing their requisition objective for all stocks because these units lack the capability to compute separate requisitioning objectives for DSA stocks.

CONCLUSIONS

GSA's practices regarding DSS are based on parochial considerations, and GSA officials, while trying to economize, still do not have sight of the Government's total interests. Similarly, DSA's current practices are resulting in poor supply responsiveness and unnecessary costs because (1) orders and materiel are not processed promptly and materiel is not prepositioned near containerization points, (2) materiel is being shipped to containerization points from distant depots because of poor depot selection procedures and failure to properly prepositon materiel, and (3) material is bypassing the containerization points. The impact of these problems is particularly adverse to DSS because the direct support units lack the capability to adjust their requisitioning objectives between types or categories of supplies. Therefore the stock requisitioning objectives must be set high enough to allow for the longest OSTs experienced to insure that supplies are available when needed.

If these agencies are to provide responsive and cost-effective support of DSS, current practices must be changed. GSA, DSA and Army officials should get together to insure that DSS' OST objectives are clearly defined and to work out plans to improve support. The Army should take steps to

have DSS recognized in the military standard procedures, but meanwhile these agencies should strive for the shorter processing times needed to make DSS more effective. DSA should improve its stock screening and selection procedures for DSS requisitions and direct that all materiel shipped to fill overseas DSS requisitions be sent to Army containerization points. GSA vendor shipments must be directed through the containerization points, and only those stock shipments which can be immediately containerized should be shipped directly to the ports.

Obviously, individual shipments which accumulate quickly into a full container load should not be sent to the Army's consolidation points. Holding cargo for lengthy periods in hopes of avoiding freight charges, however, is being penny wise and pound foolish. The same can be said of vendor shipments directed to GSA's depot and export facilities to be held for accumulating container loads. Aside from the lengthy holding time, some of these will eventually find their way back to the Army's consolidation points for containerization.

There should be no question about transferring GSA's support of DSS Pacific customers to the Stockton depot. More timely support, economies of scale, better container utilization, and reduced transportation costs should result from this move.

It is imperative that DSA reduce, and eliminate if possible, the large number of DSS shipments being made to consolidation points from distant depots. DSA should avoid by all means making shipments to Europe from the Ogden and Tracy depots and to Korea from such locations as Columbus, Dayton and Richmond. If items demanded by DSS cannot be stocked at Mechanicsburg and Tracy, DSA and the Army should intensify their efforts to find another solution to this problem.

DSA previously considered the possiblity of stocking needed items at New Cumberland and Sharpe but discarded the idea as uneconomical. However, we believe this was examined not in view of the total costs and benefits to the Government but considered only additional costs to DSA. In connection with the Army's DSS cost benefit study discussed in chapter 2, DOD should study the total costs and benefits of enhancing DSS support by positioning selected DSA stocks at New Cumberland and Sharpe.

RECOMMENDATIONS

We recommend that the Administrator of GSA:

--Direct the New York region to ship all materiel for DSS Europe to the Army's New Cumberland consolidation/containerization point except for individual shipments that comprise a container load.

--Direct all regions to provide in vendor purchase actions for overseas DSS requisitioners that materiel be delivered to the appropriate Army consolidation point except for individual shipments that comprise a container load and require followup action to insure compliance.

--Transfer GSA's support of DSS in the Pacific from the Auburn depot to the Stockton depot in region IX and direct region IX to ship all materiel for Pacific DSS customers to the DSS consolidation point.

We recommend that the Secretary of Defense direct DSA to:

--Preposition stocks at defense depots near the Army containerization points or, where this is not possible, consider the cost effectiveness of positioning fast moving items, designated by the Army, at Army theater-oriented depots.

--Develop source preference tables for use with DSS requisitions to insure that stocks at depots nearest the appropriate Army containerization points are searched first.

--Develop and implement procedures to insure that items shipped from DSA attrition stocks at military service depots are sent to the Army's containerization points unless they comprise a full container load.

--Develop procedures to recognize the Army's OST standards as the DSS objectives for low-priority requisitions and give priority to meeting those objectives to the extent possible without adversely affecting processing of higher priority requisitions.

AGENCY COMMENTS AND OUR EVALUATION

In a June 11, 1976, letter, the Deputy Administrator for GSA commented on our findings and proposals. (See app. VI.) GSA concurred in all our proposals and agreed to

implement them. GSA said its New York region's objective would be to ship to the New Cumberland containerization point 8 days after a requisition is registered in its file or if a full seavan container is accumulated within the 8 days, shipment would be made directly to the military ocean terminal.

GSA said it had, for the most part, been in compliance with our proposal on vendor shipments. On shipments to the Pacific, GSA said once the DSS support mission is transferred to region IX at Stockton all materiel will be shipped to Sharpe, without unitization, using DSS system standards.

DOD concurred in all our proposals to GSA and said arrangements had been coordinated with GSA for the Army consolidation points to accept direct vendor shipments. (See app. V.)

DOD agreed that DSA should preposition stocks at defense depots near Army containerization points when possible. In DOD's opinion, the concept of positioning DSA stocks at New Cumberland and Sharpe should be considered in the cost benefit analysis that GAO recommended in chapter 2, but DSA should not be directed to implement tailored procedures in support of DSS pending the outcome of the study.

However, subsequent to receiving DOD's letter commenting on our preliminary report, we learned that the Army and DSA were proceeding with plans and actions to position DSA stocks at New Cumberland to support DSS. The Army advised us that, as of August 1976, a related memorandum of understanding had been tendered by DSA and approval by the Army was pending, and that 580 line items of defense electronics stocks were already being relocated to New Cumberland. These actions, we were told, are proceeding on the bases that (1) more effective support will be provided, (2) several thousand line items have been identified which are required in Europe in sufficient quantities to warrant stockage at New Cumberland, and (3) the New Cumberland depot has space available to accommodate the stocks.

DOD concurred in our proposals concerning source preference tables and routing of shipments from attrition depots, subject to the reservation cited above. DOD said the Army is preparing a proposed revision to the uniform military standards which, if adopted, would align them with DSS OST standards.

We agree that costly procedural changes should be included as part of the DSS cost benefit study rather than directed arbitrarily. However, the routing of attrition

shipments to consolidation points need not await the outcome of the study; a simple routing code on the materiel release order should accomplish this objective. Also high level attention within DSA needs to be directed in the interim toward the large numbers of cross-country DLS shipments. DSA should use all reasonable means at its disposal to discontinue this practice.

CHAPTER 6

DSS AIR SHIPMENTS TO KOREA SHOULD BE REROUTED

DSS shipments have been made to Korea since February 1971. The Military Airlift Command (MAC) provides aerial transportation for DSS as a part of its routine support of DOD's logistics needs worldwide. The movement of DSS air cargo into the Western Pacific area, including Korea, is controlled by the MAC 22nd Air Force at Travis Air Force Base, California.

The Army currently offers all Korea-bound air cargo to MAC at McChord Air Force Base, Washington, rather than at Travis Air Force Base, which is much closer to the Sharpe containerization point in California. This requires commercial surface transportation from Sharpe Army Depot to McChord, a distance of 755 miles, whereas Travis is only 55 miles from Sharpe. From June through November 1975, in-transit time from Sharpe to McChord for Korea bound air cargo averaged 7 days.

The practice of shipping DSS air cargo to McChord results from a quirk in MAC's system of establishing air channels. MAC's airlift service is provided over designated channels established in response to the airlift requirements of all services. The established channel to Korea is from McChord Air Force Base. Although no channel is established from Travis to Korea, separate channels exist from Travis to Yokota, Japan, and from Yokota to Korea. Cargo currently moving to Korea from McChord is often transshipped at Yokota.

Army officials told us they had never requested MAC to open a channel from Travis to Korea or investigated the possibility of shipping DSS cargo from Travis over existing channels with transshipment at Yokota. At least theoretically, an air channel from Travis to Korea would be more expensive because of the greater distance in air miles. We found, however, that adequate unused space is available on existing flights using channels from Travis to accommodate the DSS materiel.

We initially identified an average of about 1 ton of DSS cargo shipped daily from Sharpe to McChord. MAC officials advised us that this amount of cargo could be accommodated on existing flights from Travis to Yokota with transshipment to Korea. For a recent 8-month period, total Army cargo shipped from Sharpe to McChord for airlift to Korea

averaged 1-1/4 tons a day. Considering the space available on existing flights from Travis to Yokota, we believe the total tonnage could be accommodated. Using this tonnage data, we estimate that $35,000 in surface transportation costs could be saved annually by shipping the materiel to Travis rather than to McChord. Since much of the air cargo is already transshipped at Yokota, and in view of the 7 days average surface transit time, this move should also reduce the total shipping time.

CONCLUSIONS

The movement of DSS cargo from Sharpe Army Depot to Korea via McChord Air Force Base is resulting in unnecessary surface transportation expense and increased CST. Sufficient capability exists to move all the Army's Korea-bound air cargo via Travis.

RECOMMENDATION

We recommend that the Secretary of the Army make arrangements with MAC to ship Korea-bound cargo from the Travis aerial port rather than from McChord.

AGENCY COMMENTS

DOD agreed and said MAC had proposed to the Army a concept to realign the MAC channels. (See app. V.) Under that concept, DOD said, cargo will enter the MAC channel at the closest aerial port, and Travis will be designated as the closest aerial port for Sharpe's Korea-bound cargo.

CHAPTER 7

SCOPE OF REVIEW

We evaluated the policies, procedures, and instructions applicable to DSS and the actions taken to implement the system for overseas customers. We also examined the policies, procedures, and practices that DSA and GSA used in providing support to DSS. We examined DSS only from the viewpoint of a peacetime resupply system. The Army's ability to make the transition to a wartime support role is the subject of another review.

Our review included meetings with agency officials at all levels of activity; examination of pertinent regulations, records, reports, and other documents; and the testing of reported data. Although our review examined data on all segments of the supply pipeline, we did not do detailed work at the Military Traffic Management Command or at the Military Sealift Command.

We worked at the following activities.

Army:

Headquarters, Department of the Army
Headquarters, Army Materiel and Readiness Command, Alexandria, Va.
Armament Command, Rock Island, Illinois
Aviation Systems Command, St. Louis, Missouri
Tank and Automotive Command, Warren, Michigan
Troop Support Command, St. Louis, Missouri
Letterkenny Army Depot, Pennsylvania
New Cumberland Army Depot, Pennsylvania
Tobyhanna Army Depot, Pennsylvania
Sharpe Army Depot, Sacramento, California
Eighth U.S. Army Korea and subordinate activities
U.S. Army, Europe and subordinate activities

Air Force:

Military Airlift Command
Scott AFB, Bellville, Illinois
22nd Air Force, Travis AFB, California
McChord AFB, Tacoma, Washington

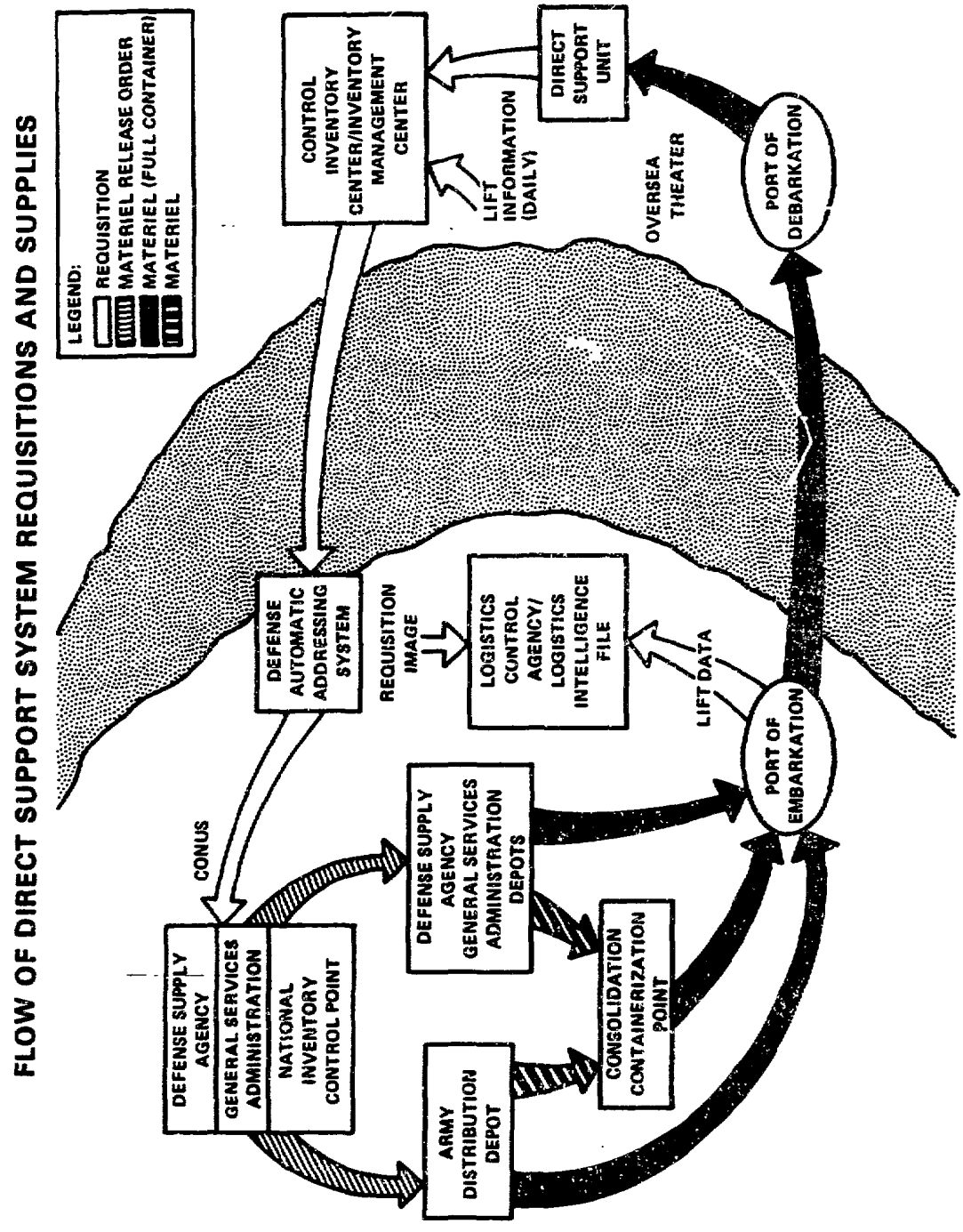
General Services Administration:

Headquarters, General Services Administration, Washington, D.C.
Region II Headquarters, New York
Region X Headquarters, Auburn, Washington
GSA Depot, Belle Meade, New Jersey
GSA Depot, Raritan, New Jersey
GSA Depot, Stockton, California
GSA Depot, Auburn, Washington
Region IX Headquarters, San Francisco, California

Defense Supply Agency:

Headquarters, Defense Supply Agency, Cameron Station, Alexandria, Virginia
Defense Industrial Supply Center, Philadelphia, Pennsylvania
Defense Personnel Support Center, Philadelphia, Pennsylvania
Defense Construction Supply Center, Columbus, Ohio
Defense Depot, Tracy, California
Defense Depot, Columbus, Ohio

APPENDIX I


FLOW OF DIRECT SUPPORT SYSTEM REQUISITIONS AND SUPPLIES
LEGEND:
REQUISITION
MATERIEL RELEASE ORDER
MATERIEL (FULL CONTAINER)
MATERIEL
CONTROL INVENTORY CENTER/INVENTORY MANAGEMENT CENTER
DIRECT SUPPORT UNIT
LIFT INFORMATION (DAILY)
OVERSEA THEATER
PORT OF DEBARKATION
DEFENSE AUTOMATIC ADDRESSING SYSTEM
REQUISITION IMAGE
LOGISTICS CONTROL AGENCY/ LOGISTICS INTELLIGENCE FILE
LIFT DATA
CONUS
DEFENSE SUPPLY AGENCY
GENERAL SERVICES ADMINISTRATION
NATIONAL INVENTORY CONTROL POINT
DEFENSE SUPPLY AGENCY GENERAL SERVICES ADMINISTRATION DEPOTS
PORT OF EMBARKATION
CONSOLIDATION CONTAINERIZATION POINT
ARMY DISTRIBUTION DEPOT

APPENDIX II

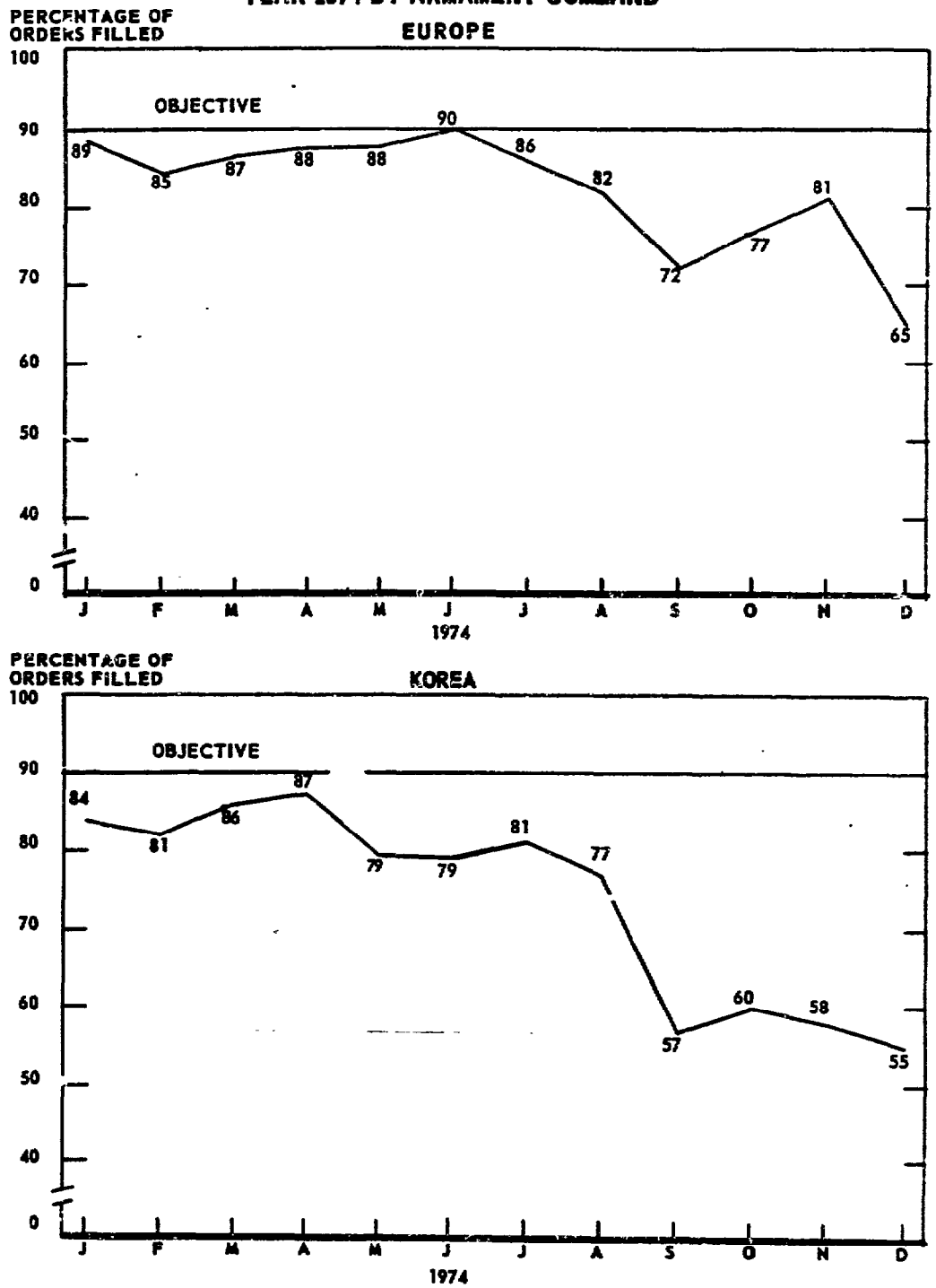
SHIPMENTS AND PERCENT OF SHIPMENTS FROM ARMY DEPOTS TO EUROPEAN DIRECT SUPPORT UNITS FOR 12 MONTHS ENDED NOVEMBER 1975

Depots	Total Shipments	Percentage
Theater Oriented Depots:		
New Cumberland	145,529	44
Letterkenny	82,156	25
Tobyhanna	15,489	5
Total	243,174	74
Other Army Depots		
East of the Mississippi River:		
Anniston	9,006	2
Lexington	5,828	2
Total	14,834	4
West of the Mississippi River:		
Sharpe	10,954	3
Pueblo	3,196	1
Red River	24,253	7
Sacramento	31,417	9
Tooele	5,076	2
Total	74,896	22
Total	332,904	100

SHIPMENTS AND PERCENT OF SHIPMENTS FROM ARMY DEPOTS TO KOREAN DIRECT SUPPORT UNITS FOR 12 MONTHS ENDED NOVEMBER 1975

Depots	Total Shipments	Percentage
Theater Oriented Depots:		
Sharpe	18,166	21
Sacramento	36,764	43
Total	54,930	64
Other Army Depots		
West of the Mississippi River:		
Pueblo	1,718	2
Red River	6,742	8
Tooele	4,500	5
Total	12,960	15
East of the Mississippi River:		
New Cumberland	7,628	9
Anniston	1,058	1
Letterkenny	2,553	3
Lexington	3,447	4
Tobyhanna	3,403	4
Total	18,089	21
Total	85,979	100

PERCENTAGE OF MATERIEL ORDERS FILLED FROM THEATER-ORIENTED DEPOTS DURING CALENDAR YEAR 1974 BY ARMAMENT COMMAND



SHIPMENTS AND PERCENT OF SHIPMENTS FROM DSA DEPOTS THROUGH DSS TO EUROPEAN DIRECT SUPPORT UNITS FOR 12 MONTHS ENDED NOVEMBER 1975

DSA Depots	Total Shipments	Percentage
East of the Mississippi River:		
Mechanicsburg	36,367	9
Columbus	131,313	31
Dayton	75,291	18
Memphis	45,940	11
Richmond	62,052	15
Norfolk	4,491	1
Total	355,454	85
West of the Mississippi River:		
Tracy	8,095	2
Ogden	52,055	12
Oakland	2,481	1
Total	62,631	15
Total	418,085	100

SHIPMENTS AND PERCENT OF SHIPMENTS FROM DSA DEPOTS THROUGH DSS TO KOREAN DIRECT SUPPORT UNITS FOR 12 MONTHS ENDED NOVEMBER 1975

DSA Depots	Total Shipments	Percentage
East of the Mississippi River:		
Mechanicsburg	2,513	2
Columbus	10,925	9
Dayton	4,975	4
Memphis	6,195	5
Richmond	10,473	9
Norfolk	604	0.5
Total	35,685	29.5
West of the Mississippi River:		
Tracy	13,881	12
Ogden	65,894	56
Oakland	3,015	2.5
Total	82,790	70.5
Total	118,475	100

APPENDIX V

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

SS
INSTALLATIONS AND LOGISTICS

23 JUN 1976

Mr. Fred J. Shafer
Director, Logistics and
Communications Division
General Accounting Office
Washington, D. C 20548

Dear Mr. Shafer:

This is in response to your letter of April 1, 1976 forwarding General Accounting Office Draft Report entitled "Need to Increase the Effectiveness of the Army's Direct Support System" (OSD Case #4037-A).

We have reviewed the Draft Report and agree with the findings, conclusions, and recommendations, with minor exceptions. Our comments, keyed to specific recommendations, are set forth in the enclosure hereto.

We appreciate the opportunity to comment on this Report in draft form.

Sincerely,

Enclosure
As stated

JOHN J. BENNETT
Principal Deputy Assistant Secretary of Defense
(Installations and Logistics)

DEPARTMENT OF DEFENSE COMMENTS
ON
GAO DRAFT REPORT
DATED APRIL 1, 1976

"NEED TO INCREASE THE EFFECTIVENESS OF THE ARMY'S DIRECT SUPPORT SYSTEM" (OSD CASE #4037-A)

GAO Recommendation:

We recommend that the Secretary of the Army:

-- Begin developing information to compare costs of supporting the Direct Support System (DSS) overseas, including additional costs to the Defense Supply Agency (DSA) and the General Services Administration (GSA), with the benefits derived therefrom; and

-- Determine if DSS is cost effective and if not whether improvements can be made which will increase the benefits over the costs to obtain them.

DoD Comment:

Concur. An initial DSS cost analysis was made by the Department of the Army (DA) in early 1972 shortly after the DSS test was initiated. This analysis indicated that projected savings through FY 75 more than offset projected costs for the CONUS base. As a result DSS was extended and accepted as the Army Standard Supply Distribution System. The original cost analysis is now being updated. The Deputy Chief of Staff for Logistics (DCSLOG) has provided the Army Materiel & Readiness Command (DARCOM) more inclusive guidance for including cost effective analysis in future in-process reviews of DSS.

GAO Recommendation:

--Ensure that procedures for initial stock positioning provide for stocks to be distributed to appropriate depots based on the latest customer demand information, and that inventory managers be required to justify any decisions to override this procedure.

DoD Comment:

Concur. Continued monitorship of each Army commodity command's distribution effectiveness and depot receipts is being accomplished to ensure that present systems and procedures are adequate. Current procedures require new procurements to be directed into the distribution depots based on the latest customer demand data as determined in a supply control study. Another essential factor that was not previously considered in stock positioning was the net asset position of stock in the distribution depots. A Commodity Command Standard System (CCSS or ALPHA) program change is currently under development to direct new procurements into the

appropriate distribution depot's geographic support area plus the net asset position of stocks. This change is targeted for implementation in the first quarter FY 77. Instructions are also being provided by the Army to their commodity commands requiring item managers to justify any deviations from the stock positioning procedures established by Army Headquarters.

GAO Recommendation:

-- Direct that the existing policies on inter-depot transfers be implemented and that whenever possible the procedures be automated.

DoD Comment:

Concur. In December 1975 the Army National Inventory Control Points (NICPs) were directed to initiate positive action to bulk relocate Europe's top 90 percent high-demand lines into New Cumberland Army Depot. In March 1976 Army commodity commands were directed to bulk relocate stocks into Sharpe Army Depot. These instructions lifted previous restrictions on bulk relocations which were instituted during the initial implementation of the Army's Revised Distribution Plan. During the initial implementation of the distribution plan, stocks were attrited from non-distribution depots and new procurement positioned in the distribution depots based on customer demands. Upon completion of actions to properly position stock from new procurement in the distribution depots, the need to make further inter-depot transfers of stock and automate inter-depot transfer procedures will be minimized.

GAO Recommendation:

-- Direct that in event of depot closures active stocks be transferred in bulk shipments to appropriate depots unless the closing depot is in the immediate vicinity of a theater-oriented depot or containerization point.

DoD Comment:

Concur. In the event of depot closures or when depots lose their supply distribution mission, bulk transfers of active stocks have been directed by Army Headquarters and this policy will be continued in the future.

GAO Recommendation:

-- Ensure that systems for screening depot stocks are programmed to (1) first search depots in the appropriate theater-oriented depot complex, then the remaining depots in the order of their geographic proximity to the containerization point;

[See GAO note p. 58.]

DoD Position:

(1) Concur in the recommendation to first search the appropriate distribution depots (theater-oriented depot) in the long term. During the phase-in of the Army distribution plan, those depots (attrite depots) losing their supply distribution mission were searched first to assist in removing malpositioned stock when valid field requirements existed. Once all the stock is removed from the nondistribution depots via attrition and inter-depot transfers, the CCSS will search the appropriate distribution depot first and then the remaining depots in order of their proximity to the containerization point. The CCSS has been implemented in five of the Army's commodity commands and is targeted for implementation in the remaining commodity command in the second quarter FY 77.

[See GAO note p. 58.]

GAO Recommendation:

-- Although measures are being taken in Europe to reduce the DSS depot safety level, such actions are not sufficient in view of the gains to be achieved by eliminating them. We recommend, therefore, that the Secretary of the Army direct that the 30-day safety level of about $4.25 million be eliminated.

DoD Comment:

Concur. In the plans for the future logistics support of Europe (MODLOG 77) the Europe depot safety level will be eliminated. This action is targeted for implementation in FY 77. In conjunction with this effort a limited 30-day safety level of essential items (i.e., Not Operationally Ready-Supply (NORS) items causing equipment down-time) will be maintained by the theater Corps Support Commands for emergency requirements.

GAO Recommendation:

-- GSA - Direct the New York Region to ship all materiel for DSS Europe to the Army's New Cumberland consolidation/containerization point except for individual shipments that comprise a container load.

DoD Comment:

This is consistent with the DSS concept.

GAO Recommendation:

-- GSA - Direct all regions to provide in vendor purchase actions for overseas DSS requisitioner that materiel be delivered to the appropriate Army consolidation point except for individual shipments that comprise a container load, and require follow-up to ensure compliance.

DoD Comment:

Concur in General Accounting Office (GAO) recommendation to GSA. Prior arrangements have been coordinated with GSA for the Army consolidation points to accept GSA direct vendor shipments.

GAO Recommendation:

-- GSA - Transfer GSA's support of DSS in the Pacific from the Auburn Depot to the Stockton Depot in Region IX and direct Region IX to ship all materiel for Pacific DSS customers to the DSS consolidation point.

DoD Comment:

Concur in GAO recommendation to GSA.

GAO Recommendation:

-- DSA - Preposition stocks at Defense Depots near the Army containerization points, or where this is not feasible, arrange to position fast moving items, designated by the Army, at Army theater-oriented depots.

DoD Comment:

Concur, with reservations. The Army and DSA are presently evaluating a plan to position fast moving items in Army distribution depots. Since the Army has not yet completed the cost benefit analysis recommended by Chapter 2 of the GAO Draft Report, it appears premature to direct the

DSA implementation of tailored procedures in support of Army DSS. The required tailored procedures would include a separate availability edit, different processing standards, and realignment of stock positioning from that used by Defense Supply Centers in support of other Military Services' requisitioners. These factors must be considered in the cost benefit analysis in order to assess accurately the practicability of this recommendation.

GAO Recommendation:

-- DSA - Develop source preference tables for use with DSS requisitions to ensure that stocks at depots nearest the appropriate Army containerization points are searched first.

DoD Comment:

Concur, with the reservations cited in the previous comment.

GAO Recommendation:

-- DSA - Develop and implement procedures to ensure that items shipped from DSA attrition stocks at Military Service depots are sent to the Army's containerization points unless they comprise a full container load.

DoD Comment:

Concur, with reservations previously cited.

GAO Recommendation:

-- DSA - Develop procedures to recognize the Order and Shipping Time (OST) standards established by the Army as the DSS objective for low priority requisitions and give priority to meeting those objectives to the extent possible without adversely affecting processing of higher priority requisitions.

DoD Comment:

Concur, with reservations previously cited. Army is currently analyzing and staffing a proposed revision to the Uniform Materiel Movement and Issue Priority System (UMMIPS) standards based on DSS performance. If adopted this would align UMMIPS and DSS OST standards.

GAO Recommendation:

-- We recommend the Secretary of the Army make arrangement with the Military Airlift Command (MAC) to ship Korea-bound cargo from the Travis aerial port rather than from McChord.

DoD Comment:

Concur. MAC proposed to the Army a concept to realign the MAC channels. Under this concept cargo will enter the MAC channel at the closest aerial port, and Travis will be designated as the closest aerial port for Korea cargo shipped from Sharpe.

GAO note: Deleted material relates to data in our draft which has been revised in this final report to reflect DOD comments.

APPENDIX VI

UNITED STATES OF AMERICA
GENERAL SERVICES ADMINISTRATION
WASHINGTON, DC 20405

June 11, 1976

Honorable Elmer B. Staats
Comptroller General of the United States
General Accounting Office
Washington, DC 20548

Dear Mr. Staats:

Thank you for your letter of April 1, 1976, transmitting your draft report on the "Need to Increase the Effectiveness of the Army's Direct Support System."

We have reviewed the Chapter 5 of the above-referenced report which was directed to GSA and DSA. Our comments to the three recommendations made to GSA are contained in the enclosure.

We appreciate your giving us an opportunity to comment on the draft report. Please let us know if you need any additional data.

Sincerely,

Terry Chambers

TERRY CHAMBERS
Deputy Administrator

Enclosure

GSA comments to General Accounting Office draft report entitled "Need to Increase the Effectiveness of the Army's Direct Support System"

RECOMMENDATION:

We recommend that the Administrator of GSA

--Direct the New York region to ship all materiel for DSS Europe to the Army's New Cumberland consolidation/containerization point except for individual shipments that comprise a container load.

COMMENT:

We concur in the recommendation. Instructions have been issued to our New York region to process all Army DSS requisitions for Europe utilizing the DSS system standards and objectives. This will eliminate the long hold time at New York alluded to on page 39 of the report. Our objective will now be to ship to the CCP at New Cumberland 8 days after the requisition is registered on our history file. Should our New York region successfully accumulate enough material within this 8 day time frame to outload a full seavan container, shipment will be made direct to the Military Ocean Terminal, as provided for in your recommendation.

RECOMMENDATION:

--Direct all regions to provide in vendor purchase actions for overseas DSS requisitioners that materiel be delivered to the appropriate Army consolidation point except for individual shipments that comprise a container load, and require followup action to ensure compliance.

COMMENT:

We concur in the recommendation. We selected at random, 230 direct delivery purchase orders and reviewed the destinations to which material was shipped from vendors plants. The results of this review revealed:

80% Shipped direct from vendor to Army DSS CCP's at Sharpe, New Cumberland or Red River.

20% Shipped from vendor as full seavan container loads direct to Military Ocean Terminals.

0% Shipped to GSA Export Packing Facility.

Enclosure
5/21/76

Although the statistics cited above reflect a small sample, we have for the most part been in compliance with the recommendation.

RECOMMENDATION:

--Transfer GSA's support of DSS in the Pacific from the Auburn Depot to the Stockton Depot in Region IX and direct Region IX to ship all materiel for Pacific DSS customers to the DSS consolidation point.

COMMENT:

We concur with the recommendation.

We estimate that the transfer of DSS support mission to Region 9 will cause reduction of positions at Auburn. We also need to review the impact on Region 9 to identify what additional resources may be required at the Stockton facility to handle the increased shipping volume.

In addition to the realignment of resources, we must ensure that inventory is on hand at our Stockton facility to support this added mission prior to announcement of the effective date.

The study is now underway to identify resources and additional requirements for inventory at Stockton. Upon completion of the study, we will implement the recommendation contained in the draft report. When implemented, we will ship all material for Army DSS to the CCP at Sharpe without unitization, using the DSS system standards.

PRINCIPAL OFFICIALS RESPONSIBLE FOR ACTIVITIES DISCUSSED IN THIS REPORT

	Tenure of office	
	From	To
DEPARTMENT OF DEFENSE		
SECRETARY OF DEFENSE:		
Donald Rumsfeld	Nov. 1975	Present
James R. Schlesinger	July 1973	Nov. 1975
William P. Clements, Jr. (acting)	Apr. 1973	July 1973
Elliot L. Richardson	Jan. 1973	Apr. 1973
Melvin R. Laird	Jan. 1969	Jan. 1973
DEPUTY SECRETARY OF DEFENSE:		
William P. Clements, Jr.	Jan. 1973	Present
Kenneth Rush	Feb. 1972	Jan. 1973
ASSISTANT SECRETARY OF DEFENSE (INSTALLATIONS AND LOGISTICS):		
Frank A. Shrontz	Feb. 1976	Present
John J. Bennett (acting)	Apr. 1975	Feb. 1976
Arthur I. Mendolia	Apr. 1973	Mar. 1975
Hugh McCullough (acting)	Jan. 1973	Apr. 1973
Barry J. Shillito	Feb. 1969	Jan. 1973
DIRECTOR, DEFENSE SUPPLY AGENCY:		
Lt. General W. W. Vaughan	Dec. 1975	Present
Lt. General Wallace H. Robinson, Jr.	Aug. 1971	Dec. 1975
DEPARTMENT OF THE ARMY		
SECRETARY OF THE ARMY:		
Martin R. Hoffmann	Aug. 1975	Present
Norman R. Augustine (acting)	July 1975	Aug. 1975
Howard H. Callaway	May 1973	July 1975

	Tenure of office	
	From	To
ASSISTANT SECRETARY OF THE ARMY (INSTALLATIONS AND LOGISTICS):		
Harold R. Browman	Oct. 1974	Present
Edwin Greiner	Aug. 1974	Oct. 1974
Eugene E. Berg	Nov. 1973	July 1974
Vincent P. Huggard (acting)	Apr. 1973	Nov. 1973
Dudley C. Mecum	Oct. 1971	Apr. 1973
DEPARTMENT OF THE AIR FORCE		
SECRETARY OF THE AIR FORCE:		
Thomas C. Reed	Jan. 1976	Present
James W. Plummer (acting)	Nov. 1975	Jan. 1976
John L. McLucas	June 1973	Nov. 1975
Dr. Robert C. Seamans, Jr.	Jan 1969	May 1973
COMMANDER MILITARY AIRLIFT COMMAND:		
General Paul K. Carlton	Sept. 1972	Present
GENERAL SERVICES ADMINISTRATION		
ADMINISTRATOR, GENERAL SERVICES ADMINISTRATION:		
Jack Eckerd	Nov. 1975	Present
Dwight A. Ink (acting)	Oct. 1975	Nov. 1975
Arthur F. Sampson	June 1972	Oct. 1975

DOCUMENT RESUME

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Problems and Progress in Holding Timelier Hearings for Disability Claimants. HRD-76-173; B-164031(4). October 1, 1976. Released October 6, 1976. 33 pp.

Report to Rep. Charles A. Mosher; Rep. Ken Hechler; by Robert F. Keller, Acting Comptroller General.

Issue Area: Income Security Programs: Eligibility Determination (1301); Personnel Management and Compensation (300).
Contact: Human Resources Div.
Budget Function: Income Security: General Retirement and Disability Insurance (601); Income Security: Public Assistance and Other Income Supplements (604).
Organization Concerned: Social Security Administration; Department of Health, Education, and Welfare; Civil Service Commission.
Congressional Relevance: Rep. Charles A. Mosher; Rep. Ken Hechler.
Authority: Social Security Act (42 U.S.C. 401 et seq.; 42 U.S.C. 1381 et seq.). Administrative Procedures Act of 1946 (P.L. 79-404, as amended; 5 U.S.C. 551 et seq.; 5 U.S.C. 3105; 5 U.S.C. 7521). H.R. 1441 (94th Cong.); H. Rept. 94-78.

An examination was made of delays of up to 17 months in hearings on appeals for social security disability benefits. Backlogs result from slow action in forwarding of claimants' files, delays in judicial assignments and transfers, slow response from medical facilities, and inefficient use of personnel. Greater loads result from failure of State agencies to explain denials to claimants and from inconsistencies in applying criteria. Findings: The Social Security Administration is attempting to reduce the backlog by increasing law judge productivity, streamlining personnel procedures, and requesting State agencies to review cases and contact claimants. Conclusions: There is no simple solution to hearing delays. The 90-day goal on hearing requests depends on reducing backlogs and improved processing procedures. Recommendations: Assure that State agencies have procedures for informing claimants, assure uniformity of criteria, identify problems, and improve judicial and personnel procedures. (HTH)