Audit Report

OFFICE OF THE INSPECTOR GENERAL

**DEFENSE LOGISTICS AGENCY'S
WEAPONS SYSTEMS SUPPORT PROGRAM**

Report No. 95-027 November 9, 1994

Department of Defense

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Acronyms

DLA	Defense Logistics Agency
MCLB	Marine Corps Logistics Base
NSO	Numeric Stockage Objective
WSDC	Weapons Systems Designator Code
WSEC	Weapons Systems Essentiality Code
WSIC	Weapons Systems Indicator Code
WSSP	Weapons Systems Support Program

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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November 9, 1994

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION AND TECHNOLOGY
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL MANAGEMENT)
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL MANAGEMENT AND COMPTROLLER)
DIRECTOR, DEFENSE LOGISTICS AGENCY
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Audit Report on the Defense Logistics Agency's Weapons Systems Support Program (Report No. 95-027)

We are providing this report for your review and comments. It discusses the overall operation and management of the Defense Logistics Agency's Weapons Systems Support Program. We received comments from the Army, Navy, Air Force, and the Defense Logistics Agency, which were used in the preparation of the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. We request that the Army Deputy Chief of Staff for Logistics; the Air Force Deputy Chief of Staff for Logistics; and the Director, Defense Logistics Agency provide target dates for planned actions for their respective recommendations by January 9, 1995.

The courtesies extended to the audit staff are appreciated. If you have any questions on this audit, please contact Mr. Charles Hoeger, Audit Program Director, or Mr. Pat Golden, Audit Project Manager, at (215) 737-3881 (DSN 444-3881). Copies of the final report will be distributed to the organizations in Appendix K. The audit team members are listed on the inside back cover.

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Office of the Inspector General, DoD

Report No. 95-027 **November 9, 1994**
(Project No. 3LD-0057)

DEFENSE LOGISTICS AGENCY'S WEAPONS SYSTEMS SUPPORT PROGRAM

EXECUTIVE SUMMARY

Introduction. The Defense Logistics Agency's (DLA) Weapons Systems Support Program was established to enhance the Military Departments' weapons systems readiness and sustainability by providing enhanced supply support levels for DLA managed items with weapons systems applications. The weapons systems included in the Weapons Systems Support Program and the essentiality of the DLA managed items are identified by the Military Departments. Based on that data, DLA assigns a weapons system indicator code to each item. The assigned weapons systems indicator code determines the level of intensified management to be applied by DLA managers. As of December 1993, DLA managed about 3.5 million items, including about 1.9 million items in the program identified as supporting 1,403 weapons systems or systems components. Of the 1.9 million items, about 762,000 (39 percent) were assigned the 3 highest weapons systems indicator codes.

Objectives. The objectives of the audit were to determine whether procedures used by the Military Departments and DLA to identify applicable items and to implement the DLA Weapons Systems Support Program result in improved material management; to determine whether applicable internal controls ensure that the Weapons Systems Support Program worked as intended; and to follow up on and determine the implementation status of recommendations made in Inspector General, DoD, Report No. 88-171, "Secondary Item Weapons Systems Management," June 16, 1988.

We did not evaluate the status of the recommendations made in Inspector General, DoD, Report No. 88-171 because planned actions by the DoD Components to implement the report recommendations have been incorporated into the Corporate Information Management, Logistics Standard Information System, and implementation will not begin until 1995. That issue is discussed in Part I under Other Matters of Interest.

Audit Results. The purpose of the Weapons Systems Support Program was not being fully achieved. The large number of items identified as most essential and limited funding associated with the drawdown results in reduced purchases of items and defeats the intent of the program. As a result, about 60 percent of the items managed under the program received no additional support and there was no assurance that the program adequately supported the Military Departments' weapons systems readiness objectives.

Internal Controls. Internal controls and the implementation of the DoD Internal Management Control Program were not effective to identify material internal control weaknesses in the implementation of the Weapons Systems Support Program. See Part I for the internal controls reviewed, and Part II for details of the identified weaknesses.

Potential Benefits of Audit. Implementation of the recommendations will result in improved supply performance for critical weapon systems. However, we could not quantify the potential monetary benefits. The benefits associated with the audit are summarized in Appendix I.

Summary of Recommendations. We recommend that DLA and the Military Departments establish formal arrangements for periodic validation and reconciliation of weapons systems applications files and conduct a joint study to reduce the number of items to be included in the Weapons Systems Support Program and determine which items are to be intensively managed. We also recommend that the Military Departments establish controls to ensure that periodic reviews of weapons systems essentiality codes were performed, and that DLA develop a consistent supply support policy for the DLA supply centers.

Managements' Comments. Comments from the Army, the Navy, the Air Force, and DLA generally concurred with our recommendations. Managements' planned actions or actions already taken satisfy the intent of our recommendations. Managements' comments are discussed further in Part II of this report and the complete texts of managements' comments are in Part IV of this report.

Audit Response. We request that the Army Deputy Chief of Staff for Logistics; the Air Force Deputy Chief for Logistics; and the Director, Defense Logistics Agency provide target dates for planned actions by January 9, 1995.

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This report was prepared by the Logistics Support Directorate, Office of the Assistant Inspector General for Auditing, Department of Defense.

Part I - Introduction

Background

The Defense Logistics Agency's (DLA) Weapons Systems Support Program (WSSP) was established to enhance the Military Departments' weapons systems readiness and sustainability by providing enhanced supply support levels for DLA managed items with weapons systems applications. The weapons systems included in the WSSP and the essentiality of the DLA managed items are identified by the Military Departments. Based on that data, DLA assigns a weapons system indicator code (WSIC) to each item. The assigned WSIC determines the level of intensified management to be applied by DLA managers.

DoD Regulation 4140.1R, "DoD Materiel Management Regulation," January 25, 1993, requires the Military Departments to assign military weapons systems essentiality codes (WSECs) to all secondary supply items with assigned national stock numbers and to maintain weapons systems application files. The Military Departments are to periodically review the WSECs to ensure that they reflect the current status of the items, and provide the application data to the DoD integrated managers, such as DLA, for DLA managed items.

DLA Regulation 4140.38, "DLA Weapons Systems Support Program," June 9, 1989, provides policy, establishes guidance and procedures, and assigns responsibilities for the DLA WSSP.

As of December 1993, DLA managed about 3.5 million national stock numbers, including about 1.9 million national stock numbers in the WSSP identified as supporting 1,403 weapons systems or systems components. Of the 1.9 million national stock numbers in the WSSP, about 762,000 (39 percent) were categorized in the 3 highest criticality codes (see Appendix C).

Objectives

The objectives of the audit were to determine whether procedures used by the Military Departments and DLA to identify applicable items and to implement DLA's WSSP resulted in improved material management; to determine whether applicable internal controls ensured that the WSSP worked as intended; and to follow up on and determine implementation status of recommendations made in Inspector General, DoD, Report No. 88-171, "Secondary Item Weapons Systems Management," June 16, 1988.

We did not evaluate the status of the recommendations made in Inspector General, DoD, Report No. 88-171 because planned actions by the DoD Components to implement the report recommendations have been incorporated into the Corporate Information Management Initiative, Logistics Standard Information System, and implementation will not begin until 1995. The issue is discussed in Other Matters of Interest.

Scope and Methodology

We reviewed the FYs 1993 and 1994 business plans of DLA and DLA's supply centers, which described the policy and resource allocation decisions for the management of assigned items. We also tested the Military Departments' compliance with DoD and DLA regulations that pertained to the DLA WSSP.

We evaluated the accuracy of the WSSP data base of weapons systems codes from a judgment sample of 220 items included in the WSSP as of June 30, 1993. We compared the codes registered in the Military Departments' weapons systems applications files with the codes registered in the WSSP data base at the four DLA hardware centers. To determine whether the Military Departments reconciled all their weapons systems applications files, we judgmentally selected eight weapons systems applications files. We selected two weapons systems applications files from each Military Department for our initial tests. The process included reviewing the Military Departments' efforts to reconcile their weapons systems applications files with the WSSP data base maintained at the four DLA hardware centers; the Defense Construction Supply Center, Columbus, Ohio; the Defense Electronics Supply Center, Dayton, Ohio; the Defense General Supply Center, Richmond, Virginia; and the Defense Industrial Supply Center, Philadelphia, Pennsylvania. Additionally, we judgmentally sampled 16 items to determine whether items with the 3 highest WSICs received the minimum amount of supply support. Except to resolve weapons systems coding differences, we made no independent assessment of the reliability of computer-processed data used in the audit. The accuracy of the data base is discussed in Part II. The audit samples are discussed in Appendix A. The eight weapons systems involved in our tests are discussed in Appendix G.

We interviewed inventory managers at the four DLA hardware centers to determine the managers' knowledge of the WSSP and how they interfaced with the Military Departments' inventory managers and weapons systems managers to enhance supply availability and weapons systems readiness. We also verified the effect that WSICs had on the amount of added investment in inventory for items included in the WSSP.

This economy and efficiency audit was made from May 1993 through March 1994. The audit was made in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD, and accordingly, included such tests of internal controls as were considered necessary. The organizations we visited or contacted are in Appendix I.

Internal Controls

Controls Assessed. We evaluated the adequacy of procedures used by DLA and the Military Departments to implement the WSSP. Specifically, we

evaluated the accuracy and timeliness of updating of the WSSP data base to ensure that the data base reflected the current status of the Military Departments' weapons systems applications files. We also reviewed the portion of the DoD Internal Management Control Program applicable to the internal controls for implementing the DLA WSSP.

Implementation of the Internal Management Control Program. The implementation of the Internal Management Control Program was not effective because management at the Defense General Supply Center did not identify the WSSP as an assessable unit under the program, management at the Defense Electronics Supply Center incorrectly identified the WSSP as a medium risk assessable unit, management at the Defense Construction Supply Center identified the WSSP as an assessable unit but had not performed a risk assessment since 1988, and management at the Defense Industrial Supply Center identified the WSSP as an assessable unit but did not perform a review of the WSSP.

Internal Control Weaknesses. The audit identified material internal control weaknesses as defined by DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987. Internal controls were not adequate to ensure that procedures were adequate for maintaining an accurate WSSP data base and that the WSSP data base reflected the current status of the Military Departments' weapons systems applications files. Recommendations 1.a. and 2., if implemented, will correct the identified weaknesses. No monetary benefits were identified from implementation of the recommendations. Appendix I summarizes the potential benefits resulting from the audit. A copy of the final report will be provided to senior officials responsible for internal controls within the Army, the Navy, the Air Force, and DLA.

Prior Audit

The Inspector General, DoD, performed one audit related to weapons systems management in DLA during the last 5 years. The audit is summarized below.

Inspector General, DoD, Report No. 94-071, "The Transfer of the Management of Consumable Items to the Defense Logistics Agency," March 31, 1994, showed that items involved in the transfer from the Military Departments to DLA had not been appropriately coded with weapons systems management codes; and others had incorrect weapons systems management codes assigned. The report recommended that DLA establish a tracking system for items identified by the Military Departments as weapons systems essential, that logistics data be recorded on the supply records, and that follow-up action be taken when weapons systems essentiality data were not submitted. During follow-up, DLA stated that it has established a verification and reconciliation program, to be implemented by March 1995.

Other Matters of Interest

In June 1985, the Secretary of Defense approved the DoD concept for managing secondary items on a weapons systems basis rather than on a commodity basis. DLA and the Military Departments were directed to develop implementation plans for the concept and the then Assistant Secretary of Defense (Acquisition and Logistics) (now called the Deputy Undersecretary of Defense for Logistics) was assigned the responsibility for overseeing the planning process. During the past 9 years DoD managers have pursued implementing the concept, but certain events have affected its full implementation. A discussion on the implementation of the concept and on Inspector General, DoD, Report No. 88-171 are in Appendix H.

Part II - Finding and Recommendations

Weapons Systems Support Program

The purpose of the Weapons Systems Support Program was not being fully achieved. The condition occurred because inaccuracies existed in the Weapons Systems Support Program data base, growth in the program prevented intensified management of all items, supply support was not consistently applied, and DoD's existing logistics data structure did not permit accurate measurement of the program effectiveness. As a result, about 60 percent of the items managed under the program received no additional support and there was no assurance that the program adequately supported the Military Departments' weapons systems readiness objectives.

Background

The Military Departments identify secondary items by WSECs and weapons systems group codes, which are key data elements in determining the degree of management oversight and supply support that will be given to an item included in the DLA WSSP. Appendix E identifies the codes and definitions for the WSECs. In addition to a WSEC, a weapons systems group code is assigned to show whether a weapons system is most critical, critical, or least critical. Based on the combination of the WSEC and the weapons systems group code, DLA assigns a WSIC to each item. A matrix of the weapons systems codes discussed in this report is in Appendix F. For example, an item identified with a WSEC of 1 (part failure will render the end item inoperable) and a weapons systems group code of A (most critical), would be assigned a WSIC of F.

Depending on the assigned WSIC, DLA assigns supply performance goals that dictate the percentage of supply availability that should be maintained. Items with little or no demand shall be stocked in the wholesale supply system if the Military Departments deem the items to be mission essential or mission degrading, and safety level factors may be increased. During times of limited funding, funds and procurement requests may be prioritized for items with high priority WSICs.

The Military Departments maintain weapons systems applications files to track individual items with weapons systems applications. Information on the weapons systems applications files is passed to the DLA supply centers where the WSSP data bases are maintained. Upon receiving information on a weapons

systems applications file, DLA assigns a weapons systems designator code (WSDC) to each weapons system. DLA then tracks supply availability statistics for each weapons system.

Achievement of WSSP Purpose

The purpose of the WSSP, to provide intensified management and supply support of weapons systems essential items, was not being fully achieved. Audit results of a sample of 220 national stock numbers, included in the WSSP as of June 30, 1993, and a reconciliation test of 8 weapons systems applications files showed that the WSECs recorded in the WSSP data base were wrong in 52 of the 220 cases tested and that not all of the weapons systems applications files had been reconciled. Further review of the WSSP data base showed that more than 61,000 weapons systems essential items were not coded in a manner that would provide the minimal amount of supply support. The conditions occurred because the process used to reconcile the DLA WSSP data base with the Military Departments' weapons systems applications file data bases was inadequate, the number of items included in the WSSP grew to a point where intensified management of the items was not possible, and because DLA's hardware centers did not apply a consistent supply support policy for items included in the WSSP.

WSSP Data Base

The weapons systems data included in the WSSP data base were not accurate. File reconciliations for weapons systems applications were not done and periodic reviews of WSECs were not accomplished. Inaccurate weapons systems data could result in unneeded inventory investments or inadequate support of needed items.

Reconciliation Process. In March 1990, the DLA Weapons Systems Support Office, realizing that the Military Departments and DLA had not reconciled their respective weapons systems data bases in over a decade, proposed that the Military Departments reconcile their weapons systems applications files with DLA's WSSP data base. The process was started in 1992 and was proposed to continue on an annual basis.

The Military Departments were, in part, reconciling their weapons systems applications files with DLA's WSSP data base. However, we could not determine whether and when all the weapons systems applications files on DLA's WSSP data base had been reconciled because reconciliation schedules or reporting mechanisms were not established to keep track of the reconciliation process.

We judgmentally selected eight weapons systems applications files to determine how well the Military Departments reconciled their weapons systems applications files with the DLA WSSP data base. We selected two weapons systems applications files from each of the Military Departments that were categorized as WSDC A, most critical. Of the eight files reconciled, the national stock numbers in five of the files matched over 90 percent with the national stock numbers on the DLA WSSP data base. For the remaining three files reconciled, between 19 percent and 77 percent of the records were unmatched. The results of our review are shown in Appendix G.

Military Departments' Reconciliations. The reconciliation process used by the Military Departments included only a national stock number to national stock number match, and no verification was done on the validity of the WSECs assigned by the Military Departments. Each of the Military Departments devised its own method to reconcile the weapons systems applications files.

Army. The Army Aviation and Troop Command, St. Louis, Missouri, developed a process where the weapons systems applications files are updated on a day to day basis. When an add or delete was made to a weapons systems applications file, the Aviation and Troop Command's system automatically transmitted a transaction (known as a WS-1) to the appropriate DLA center. This process did not include a reconciliation with the DLA WSSP data base.

For the 2 weapons systems applications files we reviewed at the Army Aviation and Troop Command, the file for the Apache helicopter had 4,646 (18.9 percent) unmatched records. The 4,646 unmatched records included 405 items that were on the Aviation and Troop Command's records but not on the DLA WSSP data base. Items that are classified as weapons systems essential by the Military Departments but not registered as weapons systems essential on the DLA WSSP data base can result in inadequate supply support for the applicable weapons system. For example, the Army 4th Aviation Brigade, 4th Infantry Division (Mechanized), Fort Carson, Colorado, reported chronic parts shortages for items managed by DLA. We reviewed the DLA supply records for 16 items with shortages and determined that most of the shortages resulted from normal supply management problems (contract award delays, surges in demand, etc.). However, of the 16 items, 3 items were not coded as weapons systems essential by the Army Aviation and Troop Command. For instance, an encased seal, national stock number 5330-01-163-1006, was grounding an Apache helicopter at Fort Carson. The Apache helicopter is a critical weapons system. Had the encased seal been properly coded, the DLA inventory manager could have authorized a higher level of inventory investment to reduce the probability of running out of stock.

In 1992, the Army Communications and Electronics Command, Fort Monmouth, New Jersey, reconciled 118 weapons systems applications files and processed 16,434 add transactions, 3,812 delete transactions, and 11,109 WSEC code changes to the respective DLA supply centers. The WSEC changes resulted from a machine to machine match and no analysis of the WSECs was done. The Communications and Electronics Command had no plans to use an automated system similar to the one developed at the Aviation and Troop Command for updating of information to DLA.

Navy. At the Navy Ships Parts Control Center, Mechanicsburg, Pennsylvania, an extensive effort was undertaken in 1992 to reconcile 213 files and as a result, the Ships Parts Control Center transmitted 940,046 add transactions and 168,160 delete transactions to the respective DLA supply centers' records. The Ships Parts Control Center established a cyclic schedule where each weapons systems applications file is reviewed to determine whether the files should or should not be reconciled. For example, if a file remained static since the last reconciliation there would be no need for another reconciliation, but if the file configuration had changed, the application file would be reconciled and the appropriate add and delete transactions would be processed. Aside from the reconciliation process, the Ships Parts Control Center processed 545,911 transactions to the DLA WSSP in 1992 and 1993 that pertained to 96 weapons systems. The systems were added to the WSSP to obtain enhanced supply support.

Air Force. At the Air Force Air Logistics Center, Oklahoma City, Oklahoma, personnel responsible for the weapons systems applications file reconciliation realized that the process they were using (matching national stock numbers on Air Force records to national stock numbers on DLA's WSSP data base) was antiquated, so they devised a new process. With the new process, Air Force personnel match the national stock numbers on the Air Force weapons systems applications files with the bill of materiel files that the Air Force maintenance facilities used. The theory behind the new process was that if an item was used in the maintenance process it most likely had a weapons systems application. If an item was not on the maintenance facility bill of materiel a manual review was done by the equipment specialists to determine weapons systems applicability. Air Force personnel used the process on 4 weapons systems at the Oklahoma City Air Logistics Center and identified 16,690 items to be added to the respective weapons systems applications files and 65,708 items for potential deletion from the WSSP. However, that process was used only at the Oklahoma City Air Logistics Center and not at the remaining four Air Force Air Logistics Centers. Air Force personnel stated that additional funding would be needed to expand the process at the other four Air Logistics Centers.

While reviewing the validity of WSECs at the Oklahoma City Air Logistics Center, we noted that one of the items with an invalid WSEC was registered to the TF41-A-1 aircraft engine, a weapons system that had been recently phased out of the Air Force inventory. As a result of our review, the Air Force deleted about 3,700 national stock numbers from the WSSP that were applicable to the TF41-A-1 engine.

Marine Corps. The Marine Corps Logistics Base (MCLB), Albany, Georgia, last reconciled its weapons systems applications files with DLA in 1990 and recorded only deletions from the files. We requested documentation from Marine Corps personnel to validate the extent of the MCLB's 1990 reconciliation of weapons systems applications files. The documentation that we were provided showed that reconciliation data were sent to only two of the four DLA hardware centers. In 1992 DLA requested the MCLB to participate in another reconciliation of the weapons systems applications files, but the MCLB declined the request. However, MCLB developed a system where

changes to the applications files are automatically processed to the respective DLA hardware centers. The automated system uses the Marine Corps' Automated Readiness Evaluation System tables that comprise the Marine Corps' weapons systems applications files.

At MCLB, for the 2 weapons systems applications files we reviewed, 1 file had 806 (76.8 percent) unmatched records. The other file had 921 (22.9 percent) unmatched records. Further review at MCLB showed that 59 weapons systems applications files that were on the DLA WSSP data base were not on the Marine Corps Automated Readiness Evaluation System tables. Therefore, the 59 weapons systems applications files were not being updated. Additionally, for the 231,000 items that the MCLB had entered into the WSSP, about 18,000 were not on the DLA WSSP data base and about 48,000 items should have been deleted from the WSSP data base.

Validity of WSECs. The Military Departments had not periodically reviewed the WSECs that they assigned to ensure the WSECs reflected the weapons systems items' status. As discussed above, the reconciliation process did not include the validity of the WSECs assigned by the Military Departments. Overstated WSEC assignments by the Military Departments resulted in incorrect WSICs on the DLA WSSP data base; and the assignments could result in overinvestment in inventory levels. Of 220 national stock numbers with assigned WSECs of 1 reviewed, 52 national stock numbers had overstated WSECs (see Appendix A). Therefore, the criticality of the assigned WSICs on DLA's records should be lowered. We could not measure the effect the incorrect WSICs had on procurement quantities because none of the 52 sample items were in an active procurement status.

WSSP Growth and Supply Support

The intent of the WSSP was not being fully achieved because, as of December 1993, the WSSP had grown to a degree where it represented over half the total items managed by DLA. As a result of the size of the WSSP, DLA was unable to manage all items included in the WSSP on an intensified basis, and about 60 percent of the items included in the WSSP received no additional supply support. Further, the level of supply support varied among the four DLA hardware centers.

Items Authorized for the WSSP. As of June 1993, the Military Departments had entered about 1.8 million items into the WSSP and as of December 1993, the Military Departments had entered about 1.9 million items into the WSSP, which represented an 8 percent increase over a 6-month period. The Military Departments' perception of the WSSP enhanced supply support led them to add weapons systems to the WSSP and the WSSP continues to grow because of the number of items being transferred to DLA from the Military Departments under the Consumable Item Transfer Program. The Consumable Item Transfer Program will result in the transfer of about 900,000 items. The 1.9 million items in the WSSP represented about 56 percent of the 3.5 million items that

DLA managed, and they were applicable to 1,403 of the Military Departments' weapons systems or systems components. Of the 1.8 million items included in the WSSP in June, about 700,000 (39 percent) were designated as most critical items, with a WSIC of F, L, or T, while in December 1993 there were 762,000 (39 percent) items designated as most critical. This growth and limited funds, as discussed later, resulted in DLA procedures that provided no additional support for the remaining items (61 percent) included in the program.

Enhanced Supply Support Guidance for WSSP Items. DLA Manual 4140.2, "Supply Operations Manual," April 15, 1965 (as amended), provides that additional safety levels of supply, known as augmented safety levels, be procured for WSSP items with WSICs of F, L, or T. Augmented safety levels provide an additional level of supply to preclude stock shortages for items that experience regular supply system demands. DLA Manual 4140.3, "Materiel Management Manual," August 12, 1988, chapter 9, "Weapons Systems Support," stipulates that items identified by the Military Departments as mission essential or mission degrading will be stocked in the wholesale system even though little or no demand is anticipated because failure or lack of the items will prevent or impair the weapons systems intended missions. Items that fit this description should be coded as numeric stockage objective (NSO) items. For NSO items, a minimum quantity of stock should be retained in the supply system to minimize the possibility of running out of stock. The effects of the augmented safety level and NSO policies are somewhat diminished by the limited funding in DoD at this time, but under a full funding mode, the policies could lead to significant investments in supply system inventory. Based on the number of items with WSICs of F, L, or T, DLA could procure additional safety levels or NSO quantities for about 762,000 items. However, the large number of items coded with WSICs of F, L, or T and limited funds presently available results in reduced purchases and defeats the intent of the WSSP, which is to provide maximum support to the Military Departments' most critical weapons systems.

Augmented Safety Levels. Although the WSSP provides that an extra amount of safety level, or an augmented safety level, may be procured and maintained for WSSP items with WSICs F, L, or T, three of the four DLA hardware centers did not include augmented safety levels in their requirements computations. The amount of augmented safety level is computed by using a special requirements computation formula. Because of limited funding associated with the current drawdown and budget cuts, DLA, in its 1993 supply execution plan, mandated that the use of enhanced safety levels be discontinued. The current procurement policies issued by each of four DLA hardware centers (see Appendix B) show that all but one DLA center, the Defense Electronics Supply Center, had stopped using enhanced safety levels. As of June 1993, the Defense Electronics Supply Center had projected an additional $22 million in potential procurements because of enhanced safety level computations.

Critical Items Not Supported. Items designated as weapons systems essential or mission degrading by the Military Departments were not coded by DLA as NSO items to ensure that the minimum amount of supply support would be provided. Our original sample of 810 items (see Appendix A) included 46 items with WSICS of F, L, or T that were coded as nonstocked.

We judgmentally sampled 16 of 46 nonstocked items and found that 10 of the 16 should have been coded as NSO items. The 10 items were not coded as NSO items because the inventory managers did not review the items for possible NSO coding. Unless the items experience demand, the inventory managers will not review them to provide additional supply support. Of the 700,000 items included in the WSSP in June coded with WSICs of F, L, or T, 61,169 items were coded as nonstocked. Of the 61,169 F, L, and T items coded nonstocked, 9,853 were WSIC F items (items that are applicable to the Military Departments' most critical weapons systems).

Based on the procurement policies shown in Appendix B for the four DLA hardware centers, each center had a different policy for buying NSO quantities. For example, the Defense Construction Supply Center will buy NSO quantities for only items coded with WSECs of 1 that had experienced a demand, but the Defense Electronics Supply Center will buy a minimum NSO quantity of 3 for all items coded with WSICs of F or L, regardless of demand for the items. Except for the Defense Electronics Supply Center, which provided NSO quantities for WSICs G, H, M, P, T, W, and X items that experienced demand, none of the DLA hardware centers were providing additional supply support for items in the WSSP that were coded other than WSICs F, L, or T.

Funding Priorities. DLA's funding priorities contributed to the variances in the level of support being provided to the WSSP. DLA's supply execution plan for FYs 1993 and 1994 (Appendix B) specifies funding priorities for the DLA centers to follow when procuring stock. The policy is intended to maximize the DLA investment strategy and to emphasize supply availability rather than promote weapons systems support. The top two funding priorities in DLA's supply execution policy are for direct delivery procurements and procurements to fill backorders. The next two funding priorities are for items included in the Navy Nuclear Program and for items coded with WSECs of 1. A reverse of the funding priorities would be more favorable to weapons systems support because more emphasis would be placed on weapons systems support rather than procuring items that would generate the most sales for DLA. Although the four DLA hardware centers' procurement policies consider weapons systems support as factors in their buy policies, the policies favor supply availability factors such as annual demand values and demand frequencies. Further, as stated above, certain provisions of the WSSP regarding enhanced safety levels and procurement of NSO quantities were not being consistently followed by the four DLA hardware centers because each hardware center followed a different procurement strategy.

Fragmented Weapons Systems Management. The split management of weapons systems items and the application of four different procurement policies at the DLA hardware centers resulted in fragmented weapons systems management. For example, each of the eight weapons systems applications files reviewed is managed, in part, by DLA's four hardware centers. Of the 33,155 DLA managed items included in the Air Force Airborne Warning and Control System aircraft application file, 12,618 were coded with WSICs of F, L, or T. Of the 12,618 items, the Defense Construction Supply Center managed 9 percent, the Defense Electronics Supply Center managed 27 percent, the Defense General Supply Center managed 39 percent, and the Defense

Industrial Supply Center managed 25 percent. The fragmentation is appropriate provided that consistent supply support is provided. However, based on the different procurement policies used by the four DLA hardware centers, some of the parts for the Air Forces' weapons system will receive an enhanced safety level and NSO quantities of stock while others will not. While supply availability for individual items is measured, no measurement exists of the WSSP effectiveness by actual weapons systems operational readiness.

WSSP Effectiveness Measurement

The purpose of the WSSP, enhanced weapons systems readiness and sustainability through specialized logistics support, was not effectively measured. The measurement method that DLA used had no direct relationship to the actual readiness of the Military Departments' weapons systems because DoD's existing logistics data file structure did not permit identification of the weapons systems to be supported.

Supply Availability Rates. The primary method used by DLA to measure the effectiveness of the WSSP, supply availability rates, was not accurate and was not related to actual weapons systems readiness. Supply availability rates represent the percentage of requisitions that were immediately available for issue from stocked materiel and were calculated for each weapons system. Each weapons system was assigned a WSDC under which all items in the weapons system were tracked. If national stock numbers for a particular WSDC were filled at a 90-percent rate, the supply availability rate for the WSDC was counted as 90 percent. However, DoD's existing logistics data file structure did not permit routine identification of the end use purpose of a customer requirement. Therefore, for a national stock number with multiple applications, including non-weapons systems applications, each WSDC for which the national stock number applied was credited with a requisition fill. Likewise, when a backorder was registered against a national stock number with multiple applications including non-weapons systems applications, each WSDC was charged with a backorder. To accurately analyze the effectiveness of the WSSP on a particular weapons system, DLA needed the capability to record demands for supply system items by weapons system and by usage of items in the maintenance of each weapons system.

Identifying Demands to Weapons Systems. The ability to identify a demand by weapons system was mandated in the DoD Weapons Systems Concept published in April 1985. The most recent requirement for that capability was published in the DoD Materiel Management Regulation 4140.1-R. The requirement was incorporated into the implementation of the Corporate Information Management initiative, Logistics Standard Information System, which will not be operational for several years. Until the capability exists to identify demand by weapons system, DLA will not be able to develop a viable analysis of how well it supports the Military Departments' weapons systems. In the meantime, alternative methods should be developed and acted upon to better identify the Military Departments' weapons systems needs.

Alternative Methods to Identify Priority Requirements

Alternative methods were being implemented or planned to identify high priority weapons systems related requirements needed to ensure enhanced supply support. DLA Readiness Support Office personnel, who were responsible for managing the WSSP, recognized the limitations of the WSSP and undertook readiness initiatives, such as establishing a readiness reporting system, assigning logistics representatives to assist field units, and using Military Departments' programmed requirements. The initiatives, when completed, will more readily identify high priority, weapons systems related requirements and increase weapons systems support and customer service.

Readiness Reporting. In February 1994, the DLA Weapons Systems Support Office proposed starting a program that stressed weapons systems readiness. The program was designed to establish communications between the Military Departments' field units and the DLA supply centers. It was also designed to identify DLA managed parts that were degrading the mission capability of the Military Departments' weapons systems. At the time of audit, each DLA supply center had identified 200 national stock numbers with the most backorders on file. The criteria for the top 200 national stock numbers were determined primarily by supply items with the highest number of backordered requirements on file and were not directly related to weapons systems support. However, the readiness program will attempt to concentrate on filling the backorders that have been identified as keeping weapons systems from operating or operating at less than full systems capability.

Logistics Assistance Representatives. The logistics assistance representative program was designed to bridge the gap between supply availability and weapons systems readiness. Due to be implemented in 1994, the program will position DLA logistics representatives at six Army operational bases where reporting mechanisms will be established to identify weapons systems problems caused by a lack of DLA supply support and to quickly convey the lack of support to the applicable DLA supply center. The procedure will establish a direct link between the Military Departments' users and the DLA inventory managers. The logistics assistance representative program, if successful, may be expanded to other Military Departments' field units.

Program Requirements. Program requirements, which represent the Military Departments' additive requirements related to field unit operations and planned maintenance actions, were not used by DLA. Inspector General, DoD, Report No. 94-071 showed that DLA was not using the Military Departments' program requirements data in the day-to-day management of items transferred under the Consumable Item Transfer Program. DLA stock levels were based primarily on past demand registered by customers' requisitions. The Military Departments not only used past demand from customers' requisitions, but also included factors related to field unit operations and planned maintenance actions to forecast supply system requirements. For example, the Air Force supply records for consumable items included as part of the requirements computation a peacetime program ratio, which indicated increases, decreases, and no change in the flying hour projections for a particular weapons system. The Air Force

used the ratio when computing inventory requirements. Because DLA's requirements computation process differed from the Air Force process, DLA's automated requirements determination system did not use the peacetime program ratio when computing reorder points, safety levels, or excess inventory. To resolve the problem and to include the Military Departments' program requirements data, DLA requested a systems change to resolve its inability to use program requirements data. Because the Corporate Information Management implementation will provide the capability to identify a customer demand to a weapons system and DLA was in the process of identifying and implementing processes that will improve the effectiveness of the WSSP, we are not making a recommendation to address WSSP effectiveness measurement.

Management Comments on the Finding and Audit Response

Critical Items Not Supported. DLA agreed that the purpose of the WSSP was not fully realized and that existing WSSP data base population problems and limited funding had impacted on the enhanced supply support levels and intensified management for WSSP items. DLA stated that its supply execution plan appropriately honored backorders and direct vendor deliveries because the backorders and direct vendor deliveries were received as funded documents, therefore, they had to be honored first. However, improved processes and methods of supply support are being applied to ensure the hardware centers provide responsive weapons systems support. DLA is convinced that items registered in the WSSP receive a higher level of management support than if the items were not included in the WSSP. Identifying items to weapons systems provides management emphasis to the items throughout the supply system cycle. For items with the appropriate essentiality classification, DLA policies are in place to provide readiness support. DLA also stated that the WSSP enables DLA managers to analyze entire weapons systems and to direct additional resources as required.

Audit Response. We agree that the WSSP provides DLA the means to intensify supply support for troubled weapons systems. Some of the more recent DLA initiatives under the WSSP to intensify weapons systems management are discussed in this report under "Alternative Methods to Identify Priority Requirements." However, the major intent of the WSSP, to provide enhanced supply support levels for DLA items that the Military Departments designated as weapons systems critical, has not been met. About 1.2 million items included in the WSSP did not receive additional supply support. Another 61,000 items included in the WSSP and designated by the Military Departments as WSEC 1, the highest essentiality, were coded as nonstocked. We agree that existing problems with the WSSP data base and limited funding have impacted the WSSP and we have noted that the DLA planned corrective actions in response to our recommendations should improve the overall purpose of the WSSP.

Recommendations, Management Comments, and Audit Response

1. We recommend that the Commanders, Army Materiel Command, Naval Supply Systems Command, Air Force Materiel Command, the Marine Corps Deputy Chief of Staff for Logistics and the Director, Defense Logistics Agency:

a. Establish formal arrangements for the periodic validation and reconciliation of weapons systems applications files for Defense Logistics Agency managed items.

b. Conduct a joint study to reduce the number of items included in the Weapons Systems Support Program and determine which weapons systems items are to be intensively managed.

Army Comments. The Army concurred with Recommendation 1.a., and tasked the Army major subordinate commands to update and validate their weapons systems applications files for FY 1994. The Army nonconcurred with Recommendation 1.b., but stated that its upcoming review will identify and delete appropriate items from the WSSP and determine if any weapons systems should be added, combined with other weapons systems, or classified at a different weapons systems group level. See Part IV of this report for the complete text of the Army's comments.

Navy Comments. The Navy concurred with Recommendation 1.a., and stated that it would formalize the Navy weapons systems application file reconciliation process by formally updating the applicable Naval Supply Systems Command Instruction 4420.35 with the reconciliation requirement by October 30, 1994. The Navy concurred with establishing a joint study group and recommended that DLA lead the effort. The Navy did not concur with reducing the number of items included in the WSSP as the target to pursue in determining which weapons systems DLA should intensively manage. Based on decommissioning schedules, deinstallations, and declining programs, the Navy periodically reviews weapons systems group code designations and takes appropriate reconciliation action at the WSDC level. See Part IV of this report for the complete text of the Navy's comments.

Marine Corps Comments. The Marine Corps concurred with Recommendation 1.a. and planned to update the applicable Marine Corps instruction, to reflect the reconciliation requirement, by October 1, 1994. The Marine Corps concurred with part of Recommendation 1.b., stating that DLA should take the lead in the joint study effort. The Marine Corps did not agree that the goal of the joint study should be to reduce the number of items to be included in the WSSP. See Part IV of this report (Navy Comments) for the complete text of the Marine Corps' comments.

Air Force Comments. The Air Force concurred with Recommendation 1.a., and recommended to DLA that a joint Military Department meeting be convened in October 1994 to work on the process to be used in complying with

the recommendation. The Air Force concurred with Recommendation 1.b., and will task the Air Force Materiel Command to perform a study to determine the most effective measurement that would identify the items for more intensified management. See Part IV of this report for the complete text of the Air Force's comments.

DLA Comments. DLA concurred with Recommendation 1.a. and will coordinate with the appropriate Military Department support organizations by December 31, 1994, to institute a formal annual reconciliation of weapons systems national stock numbers and WSECs. DLA partially concurred with Recommendation 1.b. and stated that by March 31, 1995, DLA will assign staff to work with the Military Departments to reconcile weapons systems applications files and essentiality codes. The goal is to identify the right weapons systems, the right items, and the precise essentiality codes. DLA did not agree that the goal for reconciliation should be to reduce the number of WSSP items. Limiting the WSSP population could lead to insufficient supply support for some items. Reconciliation efforts will optimize resources without diluting the WSSP. See Part IV of this report for the complete text of DLA's comments.

Audit Response. Managements' planned actions are responsive. We note that the Army, Navy, and Marine Corps did not concur with our recommendation to reduce the number of items in the WSSP. However, their planned validations and reconciliations of the weapons systems applications files should result in reducing the number of items included in the WSSP. In response to the final report, we request that the Army provide specific dates for the major subordinate commands to update and validate their weapons systems applications files as they pertain to the WSSP.

2. We recommend that the Commanders, Army Materiel Command, Naval Supply Systems Command, Air Force Materiel Command, and the Marine Corps Deputy Chief of Staff for Logistics establish the controls necessary to ensure that periodic reviews of weapons systems essentiality codes are performed, as required by DoD Regulation 4140.1R, and that the current status of weapons systems is reflected in the Defense Logistics Agency Weapons Systems Support Program data base.

Army Comments. The Army concurred with the recommendation, stating that the Army Materiel Command tasked its major subordinate commands to completely validate all weapons systems applications pertaining to the WSSP.

Navy Comments. The Navy concurred with the recommendation, and stated that essentiality code validations are performed within the existing reconciliation process of the weapons systems applications files. The requirement will be reflected in the Naval Supply Systems Command Instruction 4420.35 by October 30, 1994.

Marine Corps Comments. The Marine Corps concurred with the recommendation, stating that beginning in 1995, the Marine Corps weapons systems applications files and essentiality codes will be reviewed and reconciled with DLA files from May to November of each year.

Air Force Comments. The Air Force concurred with the recommendation, and stated that in an October 1994 meeting of the WSSP representatives it will recommend that essentiality code validations be accomplished during the weapons systems application file reviews. It will also recommend that a timetable be established, by essentiality code, for the validation and periodic reviews.

Audit Response. Managements' planned actions are responsive. In response to the final report, we request that the Army and the Air Force provide specific dates for implementing controls to ensure that periodic reviews of WSECs are done.

3. We recommend that the Director, Defense Logistics Agency, review each of the four hardware centers' supply support policies and develop a consistent policy for supply support of weapons systems program items, including essential items classified as nonstocked.

DLA Comments. DLA stated that it was conducting reviews of supply management policies, including WSSP supply management policies. DLA considers the reviews to be critical because of the continuing consumable item transfer that will increase DLA weapons systems management responsibility. DLA formed a working group, comprised of participants from DLA headquarters and supply centers, to review the WSSP stockage policy. By September 30, 1995, the working group is to develop strategies for alternative methods of supply support for maintaining readiness without a significant investment in inventory.

Audit Response. DLA comments are responsive. The completion and adequacy of actions taken to develop a consistent supply support policy for WSSP items will be tracked through the Inspector General, DoD, audit follow-up system.

Part III - Additional Information

Appendix A. Selection of Audit Sample

The sample selection was taken from data extracted from the DLA operations research file located at the DLA, Operations Research Office, Defense General Supply Center, Richmond, Virginia. The DLA operations research file is a mirror image of DLA's Standard Automated Materiel Management System Materiel Inventory Record. That file is updated quarterly by the DLA Operations Research Office from tapes submitted by each DLA commodity manager.

The DLA Operations Research Office ran a program to extract all weapons systems coded national stock numbers (NSNs) from the DLA operations research file as of June 30, 1993. The total number of NSNs extracted with WSICs was 1,790,187.

The Inspector General, DoD, Information Systems Directorate, Systems Integration Division, Technical Support Branch, stratified the 1.8 million items into 7 strata, by on-hand inventory value. The total value of inventory on hand as of June 30, 1993, was about $7 billion.

Based on the number of items in each stratum, we originally selected a statistical sample of 810 NSNs as shown in Table A.1.

Table A.1. Sample Selection by Stratified Value

Dollar Value Strata	NSNs	Inventory Value (million)	Sample Size
0.00	504,593	$ 0.0	100
0.01 - 249.99	309,247	34.2	100
250 - 999.99	346,054	192.4	100
1,000 - 9,999.99	507,940	1,684.1	200
10,000 - 49,999.99	102,231	2,091.0	150
50,000 - 99,999.99	12,192	840.8	60
100,000 and over	7,930	2,160.9	100
Total	1,790,187	$7,003.4	810

The 1.8 million NSNs were comprised of 15 WSICs; however, our sample from the first stratum (00.00) was limited to only WSICs F, L, and T. Those three WSICs were the most intensely managed by DLA, and we wanted to verify why NSNs in the most critical WSICs were without inventory on hand.

For the inventory control point verification of weapons systems codes and classifications of weapons systems by group codes, we selected a judgment subsample of 220 NSNs, coded with WSICs F, L, and T, from the original sample of 810 NSNs. The subsample was selected by picking the NSNs with no more than three routing identifiers (routing identifiers represent the Military Departments' inventory control points) and no more than three WSDCs per routing identifier. The criteria were used to keep the verification phase down to a manageable amount of work. The subsample included 220 unique NSNs and 194 unique WSDCs with a total of 14 unique routing identifiers. The subsample was limited to four Military Department routing identifiers with the

highest counts of unique NSNs, plus two additional Army routing identifiers to get a representative number of Army NSNs in the sample (see Table A.2.).

Table A.2. Sample for Weapons System Code Verification

Inventory Control Points	NSNs	Incorrect WSECs
U.S. Army Aviation and Troop Command	21	13
U.S. Army Communications and Electronics Command	7	4
Navy Ships Parts Control Center	144	18
Oklahoma City Air Logistics Center	33	7
Marine Corps Logistics Base	27	10
Total	232	52

We reviewed 12 NSNs at more than 1 location, for a total of the 232 cases reviewed. Of the 220 unique NSNs reviewed, 52 had incorrect essentiality codes assigned by the Military Departments. Because the result of our test was based on a judgment subsample, it can not be projected to the total universe shown in Table A.1.

To determine if the Military Departments reconciled all their weapons systems applications files with the DLA WSSP data base, we judgmentally sampled eight of the Military Departments weapons systems applications files. We selected two files from each Military Department. The result of our review is in Appendix G.

To determine if the items coded with WSICs F, L, and T received the minimum amount of supply support, we judgmentally sampled 16 items with WSICs of F, L, or T that were coded as nonstocked. The 16 items were selected from the total of 46 items, included in our original sample of 810, that had WSICs F, L, or T and that were coded as nonstocked. We found that 10 of the 16 items were not coded in a manner that would insure that the minimum amount of supply support would be provided.

Appendix B. Procurement Policies

DLA Headquarters published a supply execution plan to be followed by the DLA hardware centers when buying inventory; however, each of the four DLA hardware centers buy supply system requirements differently. The buy quantities are based on a percentage of the supply system computed requirements. In some cases, buy quantities are based on the annual demand value and requisition frequency for each item, and in other cases, buy quantities are based on the WSICs assigned to each item.

DLA Headquarters Policy

DLA's supply execution plan, issued in FY 1993 and still in effect as of March 1994, specified the spending and procurement priority policies for DLA's inventory investment strategy. The policy, summarized below, mandated lower inventory investment levels because of the reduced funding levels and recommended enhanced supply support for items with weapons systems applications.

o Sales replacement rates of 60 percent are mandated for all hardware centers. (For every $100 in sales, only $60 in replacement inventory may be purchased.)

o Quarterly demand forecasts will be reduced in the aggregate by at least 10 percent to achieve a commensurate reduction in obligations.

o Safety levels will be reduced to a maximum level of 60 days requirements.

o Investment in enhanced safety levels will be discontinued and the use of safety level essentiality codes for other than essentiality purposes will be discontinued.

o Because of the limited DoD funding levels, the following procurement priority order applies.

- oo direct deliveries
- oo backorders
- oo Navy Nuclear Reactor Program items
- oo WSEC 1 items (hardware)
- oo recruit bag items
- oo pharmaceutical items
- oo WSECs 5, 6 and 7 items (hardware)
- oo readiness and combat support items
- oo special programs

- oo fast moving items
- oo slow moving items

DLA's policy is intended to maximize the DLA investment strategy and appears to emphasize supply availability. However, the policy implementation at the four DLA hardware centers varies considerably. Overall, enhanced supply support for items with weapons systems applications is considered only in relationship to a number of other factors. The following synopsizes the various buy policies of the four DLA hardware centers.

Defense Construction Supply Center Policy

The Defense Construction Supply Center's buy policy states that reduced DoD funding levels do not provide for full support of all computed requirements; therefore, fund allocations should provide the most support for requirements that are most essential to weapons systems support.

The Defense Construction Supply Center uses a supply management category code matrix when computing buy quantities, but the Defense Construction Supply Center also considers WSICs and demand frequency as factors for determining the quarterly forecasted demand percentage to be used in buy quantity computations.

The Defense Construction Supply Center's buy policy authorizes 100 percent of the quarterly forecasted demand to be used for computing buy quantities on all items with a WSIC regardless of demand frequency. The quarterly forecasted demand percentage is lowered for just 2 categories of non-weapons systems items; those with fewer than 25 annual demands and those coded as NSO items.

The Defense Construction Supply Center buys NSO quantities for items with essentiality codes of WSEC 1 only if the items had a recorded demand.

Defense Electronics Supply Center Policy

The Defense Electronics Supply Center's buy policy uses a modified selective management category code matrix in conjunction with an essentiality code factor that depends heavily on the annual demand value and demand frequency factors for making requirements determinations.

Items with an annual demand value in excess of $70,000 receive the most support. Items with more than 200 annual demands but less than $70,000 in annual demand value receive less support. Items with between 50 and 200 annual demands and less than $7,000 annual demand value receive the least support, regardless of WSIC codes.

The Defense Electronics Supply Center uses a standard safety level in its requirements determinations, which factors in the selective item management code and an essentiality code factor. However, the Defense Electronics Supply Center also uses a readiness safety level, applicable only to items with WSICs of F or L, which provides for an additional safety level of stock to be bought for those items. Even though the Defense Electronics Supply Center's policy allows readiness safety levels to be bought for items with WSICs of F or L, the Defense Electronics Supply Center does not apply the readiness safety level in all buy quantity computations for WSIC F and L items.

The Defense Electronics Supply Center assigns NSO quantities based on a number of factors. The NSO quantity is set at the higher of the annual demand quantity or a quantity of three for items with WSICs of F, G, H, L, M, P, T, W and X that have experienced demand. However, for items coded with a WSIC of F or L, the Defense Electronics Supply Center will buy the minimum NSO quantity of three in all cases, even if there was no demand for the items.

Defense General Supply Center Policy

The Defense General Supply Center's buy policy also uses a selective management category code matrix when computing buy quantities. The major factors in the Defense General Supply Center's buy quantity computations are the annual demand value and requisition frequency. The WSECs are also considered in the Defense General Supply Centers' buy quantity computations, but to a lesser degree than the annual demand value and requisition frequency.

For items with annual demand values less than $4,500, the WSEC does not have any effect on buy quantity computations. The percentage of quarterly forecasted demand used by the Defense General Supply Center for computing buy computations ranges from between 80 percent and 100 percent, depending on annual demand value and requisition frequency.

For items with annual demand values greater than $4,500 but less than 50 requisitions per year, there is only a marginal effect on the buy quantity computations. There are no differences in the method for which buy quantity computations are made for items with WSECs of 1, 5, 6, and 7.

For items with annual demand values greater than $4,500 and more than 50 requisitions per year, there is a slight difference in the method buy quantity computations are made. For items with that criteria and coded with a WSEC 1, buy quantities are computed based on 100 percent of the quarterly forecasted demand. For items with the same criteria but coded with an WSEC other than 1, buy quantity computations are based on 80 percent of the quarterly forecasted demand.

Although not specified in the Defense General Supply Center's buy policy, the Defense General Supply Center does not buy NSO quantities for items coded as WSEC 1 unless the items have experienced a recorded demand.

Defense Industrial Supply Center Policy

The Defense Industrial Supply Center's buy policy uses a selective management category code matrix similar to the one used by the Defense General Supply Center in computing buy quantities; however, the Defense Industrial Supply Center also factors in annual demand value, requisition frequency, and weapons systems essentiality when determining the quarterly forecasted demand percentage to be applied in computing buy quantities.

The major factors in the Defense Industrial Supply Center's buy quantity computations are the selective management category code and the annual demand value. The percentages of quarterly forecasted demands used in buy quantity computations range from 50 percent to 100 percent.

The Defense Industrial Supply Center limited its safety level quantities to a maximum of 6 months of demands.

The Defense Industrial Supply Center had also established a minimum NSO quantity of 3 for items coded WSEC 1.

Our summary of the four hardware buy policies shows that the policies vary significantly in the manner that the respective buy quantities are computed. However, in all four cases the WSIC, the annual demand value, and the demand frequency are factors used in computing buy quantities. The major factors, in most instances, are the annual demand value and demand frequency.

Appendix C. Profile of DLA Managed Items

Table C. shows that the number of items included in the DLA's WSSP as of December 1993 accounted for 55.8 percent of all the items managed by DLA. The number of items included in the program increased by 143,786 items (8 percent) in the 6-month period ended December 1993. As of December 1993, the number of items included in the program with the 3 highest Weapons Systems Indicator Codes totaled 762,111 (39.4 percent) of all items included in the program.

Table C. National Stock Numbers Included in the Weapons Systems Support Program by Weapons Systems Indicator Codes

WSIC Coded	June 1993 Count	December 1993 Count
F	250,888	258,195
L	304,738	324,634
T	143,901	179,282
Subtotal critical codes	699,527	762,111
G	25,380	24,147
H	1,132	1,106
J	114,838	126,290
K	193,021	203,627
M	20,523	20,196
P	2,026	2,224
R	134,245	145,027
S	212,982	228,176
W	21,156	17,503
X	3,679	3,244
Y	84,763	97,766
Z	276,915	302,556
Subtotal other codes	1,090,660	1,171,863
Total weapons systems	1,790,187	1,933,973
Total non-weapons systems	1,567,864	1,532,385
Total all items	3,358,051	3,466,358

Appendix D. Number of Weapons Systems in the Weapons Systems Support Program

As of December 31, 1993, the Military Departments had entered 1,403 weapons systems into the weapons systems support program. Of the 1,403 weapons systems included in the program, 93 were classified as Level A, most critical; 236 were classified as Level B, critical; and 1,073 were classified as Level C, least critical. See Table D.

Table D. Weapons Systems Registered in the WSSP by Military Department

Military Department	Level A	Level B	Level C	Total
Army	30	81	243	354
Navy	20	49	347	416
Air Force	24	55	345	424
Marine Corps	20	51	138	209
Total	94	236	1,073	1,403

Appendix E. Weapons Systems Essentiality Codes

WSECs are one position numeric characters that represent the degree by which a failure of the item or part will affect the ability of the weapons system to perform its intended mission. WSECs dictate the degree of management intensity to be applied to the item.

Code	Definition
1	Part failure will render the end item inoperable.
3	Part failure will not render the end item inoperable.
5	Item does not qualify for a Code 1 assignment, but is needed for personnel safety.
6	Item does not qualify for a Code 1 assignment, but is needed for legal, climatic, or other requirements peculiar to the planned operational environment of the end item.
7	Item does not qualify for a Code 1 assignment, but is needed to prevent impairment of or the temporary reduction of operational effectiveness of the end item.
Blank	Same as Code 3, or the appropriate Military Department has not assigned an essentiality code.

Appendix F. Weapons Systems Codes

Table F. shows a matrix of the weapons systems codes used in the WSSP. The Military Departments assign the weapons systems group codes (letters A to C) and the weapons systems essentiality codes (numbers 1, 3, 5, 6, or 7) and based on the combination of the 2 codes, DLA assigns 1 of the 15 weapons systems indicator codes (letters F to Z).

Table F. Matrix of the Weapons Systems Group Codes, Weapons Systems Essentiality Codes and Weapons Systems Indicator Codes.

Group Codes	Essentiality Codes				
	1	5	6	7	3
A. Most critical	F	G	H	J	K
B. Critical	L	M	P	R	S
C. Least Critical	T	W	X	Y	Z

Appendix G. Weapons Systems Files Reviewed

Table G.1. shows the results of our reconciliation of eight of the Military Departments' weapons systems applications files with the DLA WSSP data base. For five of the eight files reconciled, the weapons systems file data maintained by the Military Departments closely agreed with DLA's WSSP data base. For the remaining three files, between 18.9 percent and 76.8 percent of the files were mismatched.

Table G.1. Reconciliation of the Military Departments' Weapons Systems Files to the DLA's Weapons Systems File

System	Total Records	Not Matched	Percent
Apache Helicopter	24,556	4,646	18.9
AWACS Aircraft	33,155	955	2.9
B-52 Aircraft	28,177	590	2.1
Communications System	4,028	921	22.9
Hawk Battery Control	1,050	806	76.8
Landing Craft	2,892	213	7.4
Nuclear Power Plants	27,468	2,580	9.4
Torpedo	4,658	126	2.7
Total	125,984	10,837	

Table G.2. shows the total number of items included in the eight weapons systems files that were reconciled, and the number of items managed for each weapons system by the DLA hardware centers.

Table G.2. Items Managed by DLA's Supply Centers for the Weapons Systems Files Reconciled

System	DCSC[1]	DESC[2]	DGSC[3]	DISC[4]	Total
Apache Helicopter	2,808	7,189	3,626	10,933	24,556
AWACS Aircraft	2,478	10,874	8,311	11,492	33,155
B-52 Aircraft	2,498	8,947	8,341	8,391	28,177
Communications System	431	2,037	304	1,256	4,028
Hawk Battery Control	39	798	84	129	1,050
Landing Craft	716	382	180	1,614	2,892
Nuclear Power Plants	1,496	16,372	3,026	6,574	27,468
Torpedo	518	2,414	507	1,219	4,658
Total	10,984	49,013	24,379	41,608	125,984

[1]DCSC = Defense Construction Supply Center
[2]DESC = Defense Electronics Supply Center
[3]DGSC = Defense General Supply Center
[4]DISC = Defense Industrial Supply Center

Appendix H. Weapons Systems Management

In June 1985, the Secretary of Defense approved the DoD concept for managing secondary items on a weapons systems basis rather than on a commodity basis. DLA and the Military Departments were directed to develop implementation plans for the concept and the then Assistant Secretary of Defense (Acquisition and Logistics) was assigned the responsibility for overseeing the planning process.

Weapons Systems Management Concept. In April 1986, DoD published the Secondary Item Weapons System Management Concept and Implementation Plan (the Concept). The Concept presented an overall strategy of how weapons system management would be implemented in DoD, identified capabilities needed to implement the strategy, and provided a baseline for evaluating the effectiveness of the implementation efforts. The objective was to identify all parts to a particular weapons system, assign readiness goals to each weapons system, and revise spares models requirements to measure each part's contribution towards readiness. The Concept recognized that implementation of the weapons system management approach would be a long range, incremental effort that would require changes in the areas of supply, procurement, maintenance, transportation, and financial management. The weapons system management approach was to be incorporated into the Military Departments' and DLA's materiel management systems on a priority basis. The Concept consisted of 13 capabilities that addressed 5 areas: automated information systems, item identification, materiel management, requirements determination, and resource development and allocation. For example, the applications files capability required the use of an automated information system to identify each weapons system item to its next higher assembly and, ultimately to the actual weapons system. The Military Departments' and DLA's planned implementation dates for the 13 capabilities ranged from as early as 1988 to as late as 2005.

Report on Implementation Plans. Inspector General, DoD, Report No. 88-171, "Secondary Item Weapons Systems Management," June 16, 1988, addressed the DoD Components' plans to implement the Concept. The report showed that the Military Departments and DLA had not accomplished the relevant actions or developed the appropriate plans that would ensure accomplishment of the 13 capabilities described in the Concept and they had not committed sufficient resources or modified the development of logistics and accounting systems to demonstrate a sufficient dedication to the program. The report recommended that the then Assistant Secretary of Defense (Production and Logistics) take active oversight and institute controls over actions taken to implement the Concept, and that the Military Departments and DLA make sure that each capability of the Concept was developed and that milestone dates were provided for implementation. The then Deputy Assistant Secretary of Defense (Logistics) agreed that increased management attention, better planning, and improved DoD wide coordination were needed to overcome impediments that were slowing implementation efforts.

Status on Implementing the Concept. The Defense Management Report of 1990 affected implementation of the Concept. The Defense Management Report directed that the Corporate Information Management (CIM) initiative include the development of a Logistics Standard Information System and that the objectives of the DoD Weapons System Management Plan be incorporated into the Logistics Standard Information System. In February 1992, the Assistant Secretary of Defense (Production and Logistics) authorized the charter of the Joint Logistics Systems Center with the mission to achieve the CIM initiative goals for the DoD logistics business area by managing the design, development, implementation, and maintenance of an integrated DoD logistics process system.

Our July 1993 discussions with personnel from the Office of the Deputy Under Secretary of Defense for Logistics, the Deputy Assistant Secretary of Defense for Joint Systems Development, the Military Departments' logistics headquarters elements, and the Joint Logistics Systems Center revealed that because of problems associated with implementing the CIM initiative and the Logistics Standard Information System, the 13 capabilities of the 1986 Concept would not be implemented in DoD until at least 1997. On October 13, 1993, the Deputy Secretary of Defense issued a memorandum that required a 3-year window for completing the CIM standardization efforts. To facilitate the standardization, the Deputy Under Secretary of Defense for Logistics proposed disestablishing the Joint Logistics Systems Center and placing the responsibility for the CIM initiative under a logistics standard systems joint program office to be assigned to the Air Force as the Executive Agency.

Appendix I. Summary of Potential Benefits Resulting From Audit

Recommendation Reference	Description of Benefit	Type of Benefit
1.a.	Internal Controls. Establish formal arrangements for reconciling and validating weapons systems applications files.	Nonmonetary
1.b.	Economy and efficiency. Reduce the number of items to be intensively managed.	Nonmonetary
2.	Internal Controls. Conduct periodic reviews of weapons systems essentiality codes.	Nonmonetary
3.	Economy and Efficiency. Develop a consistent supply support policy.	Nonmonetary

Appendix J. Organizations Visited or Contacted

Office of the Secretary of Defense

Office of the Under Secretary of Defense for Acquisition and Technology, Washington, DC

Department of the Army

Headquarters, Deputy Chief of Staff (Logistics), Supply and Maintenance Policy, Washington, DC
Headquarters, Army Materiel Command, Alexandria, VA
U.S. Army Aviation and Troop Command, St. Louis, MO
U.S. Army Communications and Electronics Command, Fort Monmouth, NJ
Headquarters, 4TH Infantry Division (Mechanized), Fort Carson, CO

Department of the Navy

Headquarters, Naval Supply Systems Command, Washington, DC
Navy Aviation Supply Office, Philadelphia, PA
Naval Ships Parts Control Center, Mechanicsburg, PA
Headquarters, U.S. Marine Corps (Logistics), Washington, DC
Marine Corps Logistics Base, Albany GA

Department of the Air Force

Headquarters, Deputy Chief of Staff (Logistics and Engineering), Supply Policy, Washington, DC
Headquarters, Air Force Materiel Command, Dayton, OH
Oklahoma City Air Logistics Center, Tinker Air Force Base, OK
San Antonio Air Logistics Center, Kelly Air Force Base, TX

Defense Logistics Agency

Headquarters, Defense Logistics Agency, Cameron Station, VA
Defense Construction Supply Center, Columbus, OH
Defense Electronics Supply Center, Dayton, OH
Defense General Supply Center, Richmond, VA
Defense Industrial Supply Center, Philadelphia, PA

Appendix K. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology
Under Secretary of Defense (Comptroller)
Assistant to the Secretary of Defense (Public Affairs)

Department of the Army

Secretary of the Army
Auditor General, Department of the Army
Commander, Army Materiel Command
  Commander, Aviation and Troop Command
  Commander, Communications and Electronics Command

Department of the Navy

Secretary of the Navy
Assistant Secretary of the Navy (Financial Management)
Auditor General, Department of the Navy
Commander, Naval Supply Systems Command
  Commanding Officer, Naval Ships Parts Control Center
Commandant of the Marine Corps, Deputy Chief of Staff for Logistics
  Commanding General, Marine Corps Logistics Base

Department of the Air Force

Secretary of the Air Force
Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force
Commander, Air Force Materiel Command
  Commanding Officer, Oklahoma City Air Logistics Center
  Commanding Officer, San Antonio Air Logistics Center

Defense Organizations

Director, Defense Contract Audit Agency
Director, Defense Logistics Agency
  Commander, Defense Construction Supply Center
  Commander, Defense Electronics Supply Center
  Commander, Defense General Supply Center
  Commander, Defense Industrial Supply Center
Director, National Security Agency

Defense Organizations (cont'd)

Inspector General, Central Imagery Office
Inspector General, Defense Intelligence Agency
Inspector General, National Security Agency
Director, Defense Logistics Studies Information Exchange

Non-Defense Federal Organizations

Office of Management and Budget
General Accounting Office
- National Security and International Affairs Division, Technical Information Center
- National Security and International Affairs Division, Defense and National Aeronautics and Space Administration Management Issues
- National Security and International Affairs Division, Military Operations and Capabilities Issues

Chairman and Ranking Minority Member of Each of the Following Congressional Committees and Subcommittees:

- Senate Committee on Appropriations
- Senate Subcommittee on Defense, Committee on Appropriations
- Senate Committee on Armed Services
- Senate Committee on Governmental Affairs
- House Committee on Appropriations
- House Subcommittee on Defense, Committee on Appropriations
- House Committee on Armed Services
- House Committee on Government Operations
- House Subcommittee on Legislation and National Security, Committee on Government Operations

Part IV - Management Comments

Department of the Army Comments

DEPARTMENT OF THE ARMY
OFFICE OF THE DEPUTY CHIEF OF STAFF FOR LOGISTICS
500 ARMY PENTAGON
WASHINGTON, DC 20310-0500

DALO-SMP

12 SEP 1994

MEMORANDUM THRU

~~DIRECTOR OF THE ARMY STAFF~~ 8 SEP 94
THOMAS W. HUGHES, LTC, ADAS

9/9/94

ASSISTANT SECRETARY OF THE ARMY (INSTALLATIONS, LOGISTICS AND ENVIRONMENT)

Eric A. Orsini
Deputy Assistant Secretary of the Army
(Logistics)
OASA (I, L&E)

FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE (AUDITING)

SUBJECT: Audit Report on the Defense Logistics Agency's Weapons System Support Program (Project No. 3LD-0057)--INFORMATION MEMORANDUM

1. This is in response to HQ, USAAA memorandum of 8 July 1994 (Tab A), which asked ODCSLOG to respond to your memorandum of 30 June 1994 (Encl to Tab A). Your memorandum requested review and comments on subject audit report. The Army's comments follow.

2. Recommendation 1. The Commanders, Army Materiel Command, Naval Supply Systems Command, Air Force Materiel Command, the Marine Corps Deputy Chief of Staff for Logistics and the Director, Defense Logistics Agency:

a. Establish formal arrangements for the periodic validation and reconciliation of weapons systems applications files for Defense Logistics Agency managed items.

Concur. Army currently has a periodic validation and reconciliation process for weapons systems for items currently in the Weapons Systems Support Program (WSSP). USAMC has tasked the Major Subordinate Commands (MSCs) to update and validate their files for FY 94.

b. Conduct a joint study to reduce the number of items included in the WSSP and determine which weapons systems items are to be intensively managed.

Nonconcur. Management levels for weapons systems can be service-unique. Therefore, each Service should conduct its own review in coordination with DLA. The Army has an upcoming review that will identify and delete appropriate items. The Army is also re-examined Level A systems to determine if any systems should be added, combined with other systems, or classified at a different level.

Regraded UNCLASSIFIED
When Separated from
Classified Inclosures.

DALO-SMP
SUBJECT: Audit Report on the Defense Logistics Agency's Weapons System Support Program (Project No. 3LD-0057)--INFORMATION MEMORANDUM

3. Recommendation 2. The Commanders, Army Materiel Command, Naval Supply Systems Command, Air Force Materiel Command, and the Marine Corps Deputy Chief of Staff for Logistics establish the controls necessary to ensure that periodic reviews of weapons systems essentiality codes are performed, as required by DoD Regulation 4140.1R, and that the current status of weapons systems is reflected in the Defense Logistics Agency Weapons Systems Support Program data base.

Concur. USAMC has tasked the MSCs to perform a complete validation and reconciliation of all weapons systems applications pertaining to the WSSP.

FOR THE DEPUTY CHIEF OF STAFF FOR LOGISTICS:

JOHN J. CUSICK
Major General, GS
Director of Supply
and Maintenance

Encl

CF:
VCSA
CDR, AMC
DCSLOG
SAIG-PA
SAAG-PRF-E
DALO-ZXA

OASA(I,L&E) - Concur, Mr. Croom/75727 (conference)
USAMC (AMCIR-A) - Concur, Mr. Kurzer/274-9025 (memorandum)

Kris Keydel/51059

Department of the Navy Comments

THE ASSISTANT SECRETARY OF THE NAVY
(Research, Development and Acquisition)
WASHINGTON, D.C. 20350-1000

SEP 12 1994

MEMORANDUM FOR THE DEPARTMENT OF DEFENSE ASSISTANT INSPECTOR GENERAL FOR AUDITING

Subj: DODIG DRAFT AUDIT REPORT ON THE DEFENSE LOGISTICS AGENCY'S WEAPONS SYSTEMS SUPPORT PROGRAM (PROJECT NO. 3LD-0057)

Encl: (1) Navy Comments
(2) Marine Corps Comments

In reply to your memorandum of 30 June 1994, we have reviewed the finding and recommendations in the subject report. A detailed discussion is provided by enclosures (1) and (2). In summary:

- We concur with recommendation 1a that the Military Departments and the Defense Logistics Agency (DLA) establish formal arrangements for periodic validation and reconciliation of weapons systems applications files for DLA managed items. We will update our instruction on this requirement.

We concur with that part of recommendation 1b that the Military Departments and DLA establish a joint study group to determine which weapons systems items should be intensively managed. We recommend DLA lead this effort.

- We do not concur with that part of recommendation 1b to reduce the number of items included in the Weapons Systems Support Program (WSSP). Reducing the numbers of items in the WSSP should not be a target in and of itself. It is the essentiality code in conjunction with the Weapon System Group Code priority level that should drive DLA's intensified management attention.

- We concur with recommendation 2 to ensure that periodic reviews of weapons systems essentiality codes are performed and that the current status of weapons systems is reflected in the DLA WSSP data base.

Nora Slatkin

Copy to:
NAVINSGEN
NAVCOMPT (NCB-53)
DLA

NAVY RESPONSE
TO
DODIG DRAFT REPORT OF 30 JUNE 1994
ON
DEFENSE LOGISTICS AGENCY'S
WEAPONS SYSTEMS SUPPORT PROGRAM
(PROJECT NO. 3LD-0057)

Finding. Weapons Systems Support Program

The purpose of the Weapons Systems Support Program (WSSP) was not being fully achieved. This condition occurred because inaccuracies existed in the WSSP data base, growth in the program prevented intensified management of all items, support was not consistently applied, and DOD's existing logistics data structure did not permit accurate measurement of the program's effectiveness. As a result, about 60 percent of the items managed under the program received no additional support and there was no assurance that the program adequately supported the Military Departments' weapons systems readiness objectives.

Navy Comment

Concur. Of the 60 percent of the items that received no additional support, we are most concerned about those items required for safety reasons or needed to prevent reduced operational effectiveness of the end item.

Recommendations

1. We recommend that the Commanders, Army Materiel Command, Naval Supply Systems Command (NAVSUP), Air Force Materiel Command, the Marine Corps Deputy Chief of Staff for Logistics and the Director, Defense Logistics Agency (DLA):

a. Establish formal arrangements for the periodic validation and reconciliation of weapons systems applications files for DLA managed items.

Navy Comment

Concur. The Navy Inventory Control Point (ICP) procedures currently include the requirement to perform a periodic WSSP reconciliation for weapons systems under their cognizance. The Navy ICPs have conducted periodic reconciliation on a weapon system-by-weapon system basis since the informal 1992 proposal for annual reconciliation and as a result of the corresponding Navy evaluation of its participation and execution of the program. Applicable Navy policy, NAVSUPINST 4420.35, Subj: Defense Logistics Agency Weapon System Support Program, will be formally updated to reflect the reconciliation requirement. Estimated publication date of the revised instruction is 30 October 1994.

b. Conduct a joint study to reduce the number of items included in the WSSP and determine which weapons systems are to be intensively managed.

Navy Comment

Concur in part. Concur with establishment of a joint study group to determine which weapon system items require intensive management by DLA. Recommend DLA act as lead for the effort. Navy does not concur that the reduction of the number of items included in the WSSP should be an ultimate target to pursue. Navy population of the DLA WSSP data base is based upon weapon system/equipment configuration data, so that items registered under the specific Weapon System Designator Code (WSDC) are repair parts applicable to the weapon system/equipment. It is the corresponding EC, in conjunction with the Weapon System Group Code (WSGC) priority level, that should drive DLA's intensified management attention. Based on decommissioning schedules, deinstallations and declining programs, Navy periodically reviews platforms, systems and equipments registered in the WSSP in terms of WSGC priority designations and takes appropriate reconciliation action at the WSDC level. The effect of this process is to reduce the number of items requiring intensified management.

2. We recommend that the Commanders, Army Materiel Command, NAVSUP, Air Force Materiel Command, and the Marine Corps Deputy Chief of Staff for Logistics establish controls necessary to ensure that periodic reviews of weapons systems ECs are performed, as required by DOD Regulation 4140.1R, and that the current status of weapons systems is reflected in the DLA WSSP data base.

Navy Comment

Concur. During the Navy ICP reconciliation procedures, the EC is validated against the established Navy criteria and system matrix for WSSP EC assignment. As noted above, this validation is currently performed as existing procedure within the reconciliation process. However, the applicable Navy policy, NAVSUPINST 4420.35, will be updated to reflect the requirement. Estimated publication date of the revised instruction is 30 October 1994.

MARINE CORPS RESPONSE
TO
DODIG DRAFT REPORT OF 30 JUNE 1994
ON
DEFENSE LOGISTICS AGENCY'S
WEAPONS SYSTEMS SUPPORT PROGRAM
(PROJECT NO. 3LD-0057)

Finding. Weapons Systems Support Program

The purpose of the Weapons Systems Support Program (WSSP) was not being fully achieved. The condition occurred because inaccuracies existed in the WSSP data base, growth in the program prevented intensified management of all items, support was not consistently applied, and DOD's existing logistics data structure did not permit accurate measurement of the program's effectiveness. As a result, about 60 percent of the items managed under the program received no additional support and there was no assurance that the program adequately supported the Military Departments' weapons systems readiness objectives.

Marine Corps Comment

Concur with the statement on page 12 of the report that 59 Marine Corps systems in the Weapon System Support Program were not in the Marine Corps Automated Readiness Evaluation System (MARES). As of 2 August 1994, the 59 systems have been deleted from the WSSP, which further resulted in the deletion of 75,455 National Stock Numbers (NSN).

Do not concur with the statement on page 12 that the criticality of assigned Weapon Systems Essentiality Codes (WSEC) on DLA's records should be lowered. Validation of the WSEC continues to be a crucial process as a WSEC is a data element that requires and receives continuous review due to its importance. During recent years, the Marine Corps has performed extensive reviews and made corrections to combat essentiality code data. Using MIL-STD-105E sampling techniques, our results indicate 98 percent accuracy. Combat essentiality code data continues to be reviewed by Marine Corps Logistics Base Albany personnel and file users. It is unclear from the audit how the conclusion was reached that some items were coded too high.

Recommendations

1. We recommend that the Commanders, Army Material Command, Naval Supply Systems Command (NAVSUP), Air Force Material Command, the Marine Corps Deputy Chief of Staff for Logistics and the Director, Defense Logistics Agency (DLA):

a. Establish formal arrangements for the periodic validation and reconciliation of weapons systems applications files for DLA managed items.

Marine Corps Comment

Concur. Our updated instruction (MCBul 3000) reflecting this requirement will be issued on 1 October 1994.

b. Conduct a joint study to reduce the number of items included in the WSSP and determine which weapons systems are to be intensively managed.

Marine Corps Comment

Concur with that part of recommendation 1b that the Military Departments and DLA establish a joint study group to determine which weapon systems items should be intensively managed. We recommend DLA lead this effort. Do not concur with that part of recommendation 1b to reduce the number of items included in the WSSP. Reducing the number of items in the WSSP should not be the goal. It is the essentiality code in concert with the Weapons System Group code priority level that should drive DLA's intensified management attention.

2. We recommend that the Commanders, Army Material Command, NAVSUP, Air Force Material Command, and the Marine Corps Deputy Chief of Staff for Logistics establish controls necessary to ensure that periodic reviews of weapons systems ECs are performed, as required by DOD Regulation 4140.1R, and that the current status of weapons systems is reflected in the DLA WSSP data base.

Marine Corps Comment

Concur. Reviews will be performed during the period of May to November each year beginning in 1995. Per MIL-STD-105E, DLA will provide to Marine Corps Logistics Base Albany with ASCII files that identify those items contained in the WSSP per MCBul 3000. These files contain NSNs, weapon system designator codes, essentiality codes and source of supply. The files will then be copied to a workable data set to be loaded to the mainframe. The reconciliation process then creates SWls (transaction codes provided by DLA which add, delete, change) to:

- Delete all NSNs that each DLA center has in its database but is not contained in the Marine Corps application.

- Add all NSNs that are loaded to applications and not loaded to each DLA center as required per MCBul 3000.

- Change the essentiality code when the Marine Corps has a higher value on applications file than the DLA center maintains.

Results of the process creates two diskettes, one for the on-base DLA representative to be forwarded to DLA headquarters and the DLA centers, the other to be maintained for one year by Marine Corps Logistics Base Albany.

Department of the Air Force Comments

DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
WASHINGTON DC

23 AUG 1994

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING
OFFICE OF THE INSPECTOR GENERAL
DEPARTMENT OF DEFENSE

FROM: HQ USAF/LGSS
1030 Air Force Pentagon
Washington DC 20330-1030

SUBJECT: DODIG Draft Audit Report, "Defense Logistics Agency's Weapons Systems Support Program," June 30, 1994, Project No. 3LD-0057 - INFORMATION MEMORANDUM

This is in reply to your July 12, 1994, letter requesting status on the planned actions to implement recommendation's 1 and 2 in subject audit.

Recommendation 1: We recommend that the Commanders, Army Materiel Command, Naval Supply Systems Command, Air Force Materiel Command, the Marine Corps Deputy Chief of Staff for Logistics and the Director, Defense Logistics Agency:

a. Establish formal arrangements for the periodic validation and reconciliation of weapons systems application files for Defense Logistics Agency managed items.

Status: Concur. It is imperative that formal arrangements for the periodic validation and reconciliation of weapons systems application files be established. We have recommended to the Defense Logistics Agency that a joint Service meeting be convened during the October 24-28, 1994, meeting of the Air Force Weapon System Support Work Group to discuss the processes necessary to accomplish the dictates of this recommendation. The Weapon Systems Support Program is an on-going topic at this meeting attended by Air Force major air commands and air logistics center weapon system support program monitors. On October 27-28, 1994, the other Services have been invited to take part in interservice weapon system support issues. This would be a good forum to work the issues identified in this audit.

b. Conduct a joint study to reduce the number of items included in the Weapons Systems Support Program and determine which weapons systems items are to be intensively managed.

Status: Concur. At the meeting described above, we will task the Air Force Logistics Management Agency to open a study to help us determine the most effective forms of measurement that would identify those items that are required to be managed more intensively.

Recommendation 2: We recommend that the Commanders, Army Materiel Command, Naval Supply Systems Command, Air Materiel Command, and the Marine Corps Deputy Chief of Staff for Logistics establish the controls necessary to ensure that periodic reviews of weapons systems essentiality codes are performed, as required by DoD Regulation 4140.1-R, and that the current status of weapons systems is reflected in the Defense Logistics Agency Weapons Systems Support Program data base.

Status: Concur. At the meeting in October 1994, we will recommend that periodic reviews be accomplished at the same time as the national stock number validation is accomplished to reduce the number of reviews. Furthermore, we shall recommend that a timetable be established by essentiality code for the validation and periodic reviews; i.e., essentiality code 1 will be validated/reviewed once a year; essentiality code 7 and all others, every two years.

The Air Force point of contact is Mr James Bowie, (703) 697-9429.

KENNETH B. FAULHABER, COL, USAF
Chief, Supply/Fuels Policy Div
Directorate of Supply
DCS/Logistics

cc: SAF/FMPF (Rm 4C228)
AF/LGS
AF/LGE

Defense Logistics Agency Comments

DEFENSE LOGISTICS AGENCY
HEADQUARTERS
CAMERON STATION
ALEXANDRIA, VIRGINIA 22304-6100

24 OCT 1994

IN REPLY REFER TO DDAI

MEMORANDUM FOR THE ASSISTANT INSPECTOR GENERAL FOR AUDITING
(ATTN: Mr. Pat Golden)

SUBJECT: Audit Report on the Defense Logistics Agency's Weapons Systems Support Program (Project No. 3LD-0057)

This is in response to your 30 June 1994 request.

JACQUELINE G. BRYANT
Chief, Internal Review Office

cc:
MMA

TYPE OF AUDIT DATE OF POSITION: 12 OCT 1994

PURPOSE OF INPUT: INITIAL POSITION

AUDIT TITLE AND NO: Draft Report on Defense Logistics Agency's Weapons Systems Support Program (Project No.3LD-0057)

FINDING: Weapons Systems Support Program. The purpose of the Weapons Systems Support Program was not being fully achieved. The condition occurred because:

a. Inaccuracies existed in the Weapons Systems Support Program data base;

b. Growth in the program prevented intensified management of all items;

c. Supply support was not consistently applied; and

d. DoD's existing logistics data structure did not permit accurate measurement of the program effectiveness.

As a result, about 60 percent of the items managed under the program received no additional support and there was no assurance that the program adequately supported the Military Departments' weapons systems readiness objectives.

INTERNAL MANAGEMENT CONTROL WEAKNESSES:

(x) Partially Concur.
( ) Concur; however, weakness is not considered material.
( ) Concur; weakness is material.

DLA COMMENTS:

Partially Concur. We agree that the purpose of the Weapons Systems Support Program is not being fully realized as demonstrated by review of a small sample of EC-1 items. Existing WSSP data base population problems have impacted the application of intensified management to items in the program.

Also, funding restrictions imposed to reduce inventory levels may have temporarily impacted the enhanced support for these items. The report notes that the Agency's supply execution policy

inappropriately prioritized backorders and Direct Vendor Deliveries (DVDs) in lieu of funding weapons system item procurements. Since backorders and DVDs are received as funded documents, they are obligations which must be honored as first priority. Immediately following these obligations were essential weapons item procurements, which were first in line to insure uninterrupted supply support. However, improved processes and methods of support are being applied to assure responsive weapons support by our ICPs.

We remain convinced that items registered in the Weapons Systems Support Program receive a higher level of support than they would were there no such program. In fact, recent supply availability statistics reflect that weapon system item support is two percentage points higher than our system overall.

Identification to a weapon system affords management emphasis throughout our supply system, from the generation of supply control review documents to disposal decisions. To the extent that items are appropriately classified for essentiality, Agency policies are in place to afford readiness support. This program also affords mass retrieval and analysis by weapon system and enables DLA managers at the ICPs to direct resources when required.

ACTION OFFICER: Margaret Gandy, MMSRS, DSN 284-6381
REVIEW/APPROVAL: James J. Grady, Jr., Deputy Executive Director, Supply Management, MMSD, x70510, 14 Oct 94
COORDINATION: A. Broadnax, DDAI, x49607, 18 Oct 94
S. Raines for J Bryant, 19 Oct 94

DLA APPROVAL:

TYPE OF REPORT: AUDIT DATE OF POSITION: 24 OCT 1994

PURPOSE OF INPUT: INITIAL POSITION

AUDIT TITLE AND NO: Draft Report on Defense Logistics Agency's Weapons Systems Support Program (Project No.3LD-0057)

RECOMMENDATION 1.a.: We recommend that the Commanders, Army Materiel Command, Naval Supply Systems Command, Air Force Materiel Command, the Marine Corps Deputy Chief of Staff for Logistics and the Director, Defense Logistics Agency, establish formal arrangements for the periodic validation and reconciliation of weapons systems applications files for Defense Logistics Agency managed items.

DLA COMMENTS:

Concur. While the DoDIG recommends that the service logistics support organizations establish formal procedures for periodic validation, DLA will take the lead and coordinate with the Service Headquarters Counterparts to institute a formal annual validation. This will include reconciliation of weapons systems NSNs and essentiality codes.

DISPOSITION:
(x) Action is ongoing. Estimated Completion Date: 31 December 1994.
( ) Action is considered complete.

INTERNAL MANAGEMENT CONTROL WEAKNESSES:

( ) Nonconcur.
(x) Concur; however, weakness is not considered material.
( ) Concur; weakness is material.

MONETARY BENEFITS: Undetermined.
DLA COMMENTS:
ESTIMATED REALIZATION DATE: 31 September 1995
AMOUNT REALIZED: N/A
DATE BENEFITS REALIZED: 30 June 1996

ACTION OFFICER: Margaret Gandy, MMSRS, DSN 284-6381
REVIEW/APPROVAL: James J. Grady, Jr., Deputy Executive Director, Supply Management, MMSD, x70410, 14 Oct 94
COORDINATION: A. Broadnax, DDAI, x49607, 18 Oct 94
S Raines for J Bryant, 19 Oct 94

DLA APPROVAL: 24 OCT 1994

LAWRENCE P. FARRELL, JR.
Major General, USAF
Principal Deputy Director

TYPE OF REPORT: AUDIT DATE OF POSITION: 12.4 OCT 1994

PURPOSE OF INPUT: INITIAL POSITION

AUDIT TITLE AND NO: Draft Report on Defense Logistics Agency's Weapons Systems Support Program (Project No. 3LD-0057)

RECOMMENDATION 1.b.: We recommend that the Commanders, Army Materiel Command, Naval Supply Systems Command, Air Force Materiel Command, the Marine Corps Deputy Chief of Staff for Logistics and the Director, Defense Logistics Agency, conduct a joint study to reduce the number of items included in the Weapons Systems Support Program and determine which weapons systems items are to be intensively managed.

DLA COMMENTS:

Partially concur.

DLA will work with the Services to reconcile application and essentiality coding in the program. Such reconciliation is crucial if resources in a downsizing environment are to be efficiently applied. Our goal is to identify the right systems, right items, and precise essentialities.

Merely reducing the number of items in the WSSP may exclude items that are readiness drivers and/or maintenance linestoppers. Limiting the population of the WSSP could place DLA at risk of insufficient support for an item that would not have qualified for inclusion in the WSSP based on demand alone. Reconciliation efforts now underway will accomplish the purpose of optimizing resources without diluting the program.

DISPOSITION:

(X) Action is ongoing. Estimated Completion Date: Estimated staffing dates to begin NLT 31 March 1995.

( ) Action is considered complete.

INTERNAL MANAGEMENT CONTROL WEAKNESSES:

( ) Nonconcur.

(x) Concur; however, weakness is not considered material.
( ) Concur; weakness is material.

MONETARY BENEFITS:
DLA COMMENTS:
ESTIMATED REALIZATION DATE:
AMOUNT REALIZED:
DATE BENEFITS REALIZED:

ACTION OFFICER: Margaret Gandy, MMSRS, DSN 284-6277
REVIEW/APPROVAL: James J. Grady, Deputy Executive Director, Supply Management, MMSD, x70510, 14 Oct 94
COORDINATION: A. Broadnax, DDAI, x49607, 18 Oct 94
L Rains for J. Bryant, 19 Oct 94

DLA APPROVAL: 24 OCT 1994

LAWRENCE P. FARRELL, JR.
Major General, USAF
Principal Deputy Director

TYPE OF REPORT: AUDIT DATE OF POSITION: 24 OCT 1994

PURPOSE OF INPUT: INITIAL POSITION

AUDIT TITLE AND NO: Draft Report on Defense Logistics Agency's Weapons Systems Support Program (Project No. 3LD-0057)

RECOMMENDATION 3: We recommend that the Director, Defense Logistics Agency, review each of the four hardware centers' supply support policies and develop a consistent policy for supply support of weapons systems program items, including essential items classified as nonstocked.

DLA COMMENTS:

In conjunction with issuance of the DoD Materiel Management Regulation, DLA is conducting reviews of supply management policies, to include weapon system support management. With the planned continued Consumable Item Transfer, which will increase DLA's management responsibility for support of weapons' related items, this review is considered critical. Specifically, the Agency has formed a working group with participants from both headquarters and the Supply Centers. The working group is tasked to revisit Weapon System Stockage Policy and develop strategies for alternate methods of support where readiness can be maintained without significant inventory investment.

DISPOSITION:
(x) Action is ongoing. ECD: 30 September 1995
( ) Action is considered complete.

INTERNAL MANAGEMENT CONTROL WEAKNESSES:

( ) Nonconcur.
(x) Concur; however, weakness is not considered material.
( ) Concur; weakness is material and will be reported in the DLA Annual Statement of Assurance.

MONETARY BENEFITS:
DLA COMMENTS:
ESTIMATED REALIZATION DATE:
AMOUNT REALIZED:
DATE BENEFITS REALIZED:

ACTION OFFICER: Margaret Gandy, MMSRS, DSN 284-6277
REVIEW/APPROVAL: James J. Grady, Deputy Executive Director, Supply Management, MMSD, x70510, 14 Oct 94
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