



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

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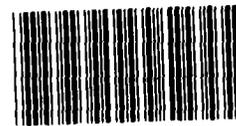
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PROCUREMENT, LOGISTICS,
AND READINESS DIVISION

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Vice Admiral E. A. Grinstead, SC, USN
Director, Defense Logistics Agency



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Dear Admiral Grinstead:

Subject: DLA's Efforts to Identify and Correct Causes of
Delinquent Deliveries (PLRD-82-34)

This report summarizes the results of our review of delinquent procurement deliveries to Defense Logistics Agency's (DLA) supply centers. We limited our review primarily to the hardware supply centers' use of the Standard Automated Materiel Management System (SAMMS) in managing deliveries and dealing with delinquencies. We performed our work in DLA headquarter's contracting, supply, and other offices and visited Defense Construction Supply Center, Defense Electronics Supply Center, and Defense General Supply Center. We also obtained information on delinquent deliveries from the Defense Industrial Supply Center and the Defense Personnel Support Center which is scheduled to implement SAMMS. In August 1981, the centers reported about 60,000 delinquent award line items, valued at about \$135 million.

The timely delivery of supply items is a significant concern of DLA. Untimely deliveries can increase procurement and other costs and impair DLA's mission in supplying secondary or common use supply items to the military users. A DLA study estimates that monitoring delivery schedules costs nearly \$10 million annually.

We found DLA makes extensive use of the SAMMS and obtains voluminous delinquency data. However, it uses the automated data as a surveillance process to resolve delinquencies after the fact. DLA has not fully used SAMMS as a management tool to identify areas with the greatest number of delinquencies or potential for the greatest impact, and the causes of the delinquencies. We found the data is not used consistently and uniformly by the hardware supply centers and information essential for evaluating causes is not included in the system. Additionally, we found uncertainty at the centers on how contractors' performance histories ought to be considered in making awards.

The hardware centers do not fully use the F-38 report, which is the SAMMS contract delinquency report, to segregate the voluminous amount of delinquency data. By segregating the data the centers

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could identify the major problem areas and the causes of the delinquencies. DLA could also use the data as the basis for formulating and monitoring compliance with policy and initiating training on how the supply centers should deal with the problem areas and correct the underlying causes.

During our review, we worked closely with DLA headquarters contracting office officials and brought the above concerns to their attention. Recently they informed us of proposed changes which deal with our concerns. These proposed changes are to:

--issue a policy letter to the supply centers, which instructs them to consider, while making awards, such areas as contractors' past delivery history and capacity to deliver on time.

--make the delinquency data more useful by revising the F-38 report to segregate stock and non-stock items; age the data into 30 to 90, 91 to 150, and over 150 day categories; and permit selective printing of the above data in terms of non-stock items over 150 days late, and so forth.

In conjunction with the proposed policy letter, emphasis needs to be given to ensure the supply centers properly code and use the data. Our random sample of the hardware centers' automated listings showed only about 11 percent of the sample had a delay reason code. The centers need to properly code the reason for the late deliveries. These codes are essential for fully understanding what caused the delinquencies and for effectively using the contractors' past delivery history in making future awards.

Secondly, the hardware centers need to more fully use the SAMMS' F-38 and F-39 (A follow-up report). We found that these reports are not used uniformly and consistently among the centers. For example, the Defense General Supply Center (DGSC) did not fully use either the F-38 or the F-39. On the other hand, the other hardware centers used the F-38 and F-39 reports in varying degrees. Defense Construction Supply Center (DCSC) makes the greatest use of these reports, while Defense Electronics Supply Center, (DESC) and Defense Industrial Supply Center (DISC) used one or both of the reports less frequently. In our opinion, DCSC's greater use of the SAMMS' reports may account for the fact that only about 29 percent of its locally administered delinquencies are over 90 days whereas the other centers' rates ranged from 46 to 56 percent. DGSC showed the highest rate at 56 percent.

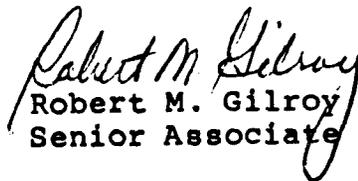
Because of the proposed actions described above, we decided that further work is not warranted at this time. We met with DLA headquarters officials on November 30, 1981, to discuss the proposed changes and our observations. At that meeting, we expressed our opinion that the changes should lead to a better understanding of what caused the delinquencies and what should be done about

them. Additional resources and training may be required to fully address the problem.

We appreciate the cooperation of DLA headquarters and supply centers' officials with whom we dealt. In view of the proposed corrective actions, we do not make any recommendations now, but would appreciate a written status report within 6 months on the progress made in implementing these changes and the results achieved.

We are sending copies of this report to the Director, Office of Management and Budget; and the Secretary of Defense.

Sincerely yours,


Robert M. Gilroy
Senior Associate Director