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Report to Congressional Requesters

November 1987

# INVENTORY MANAGEMENT

# Air Force Items Being Returned for Repair but Not Promptly

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November 25, 1987

The Honorable Pete Wilson
United States Senate

The Honorable John Glenn
Chairman, Committee on
Governmental Affairs
United States Senate

In a May 1986 briefing report,[1] we identified potentially significant inventory management problems at all levels within the Department of Defense (DOD). These problems involve confirming receipt of items, keeping accurate records, taking inventory, reconciling and researching inventory discrepancies, controlling inventory at retail level, and maintaining physical security. In response to your continuing interest, we have reviewed several of these functions in more detail to confirm the problems, identify their causes, and recommend corrective actions.

One function we reviewed is the return of reparable items (such as aircraft spare parts) from Air Force bases to repair facilities—either Air Logistics Centers or contractor facilities—when new parts are requisitioned. Air Force readiness can be impaired, and unnecessary procurements can occur when reparable items that cannot be repaired at the base level are not returned or when returns are not timely.

We analyzed randomly selected transactions at five Air Force bases and two Air Logistics Centers to determine whether reparable items are (1) returned to repair facilities as required and (2) returned in accordance with Air Force standards for timeliness. We found that items were generally being returned but that returns were often delayed beyond Air Force standards. The results of our work are summarized below and discussed in more detail in the appendixes.

## Bases Are Returning Items Needing Repair

We analyzed 807 randomly selected transactions that potentially required the return of reparable items and found that

- 600 transactions required returns (587, or 98 percent, of these items were returned);

[1] Inventory Management: Problems in Accountability and Security of DOD Supply Inventories (GAO/NSIAD-86-106BR, May 23, 1986).

- 142 transactions did not require returns; and
- 65 transactions were incompletely or inadequately recorded, precluding a determination of whether returns were required.

## Returns Are Not Timely

Of the sample returns with adequate records, 46 percent did not meet the time standard for base processing (the period from removal of an item from its next higher assembly to its shipment off base), and 38 percent did not meet the in-transit time standard (the period of time from shipment off base to receipt and recording at the repair facility). Overall, 51 percent of the sample returns did not meet the combined base processing and in-transit time standards. Of those not meeting the standards, about one half exceeded the standards by more than 10 days.

We found that items being returned under transportation priority 1 (the highest priority, which is assigned to critical items[2] and other items needing increased management) met the time standards for base processing less often than other items. Reasons for this include reluctance on the part of base personnel to return items that are in short supply and the lack of procedures to readily identify such items for priority handling.

## Prompt Returns Reduce Procurements and Improve Readiness

Delayed return of reparable parts can increase the quantity of an item to be procured by increasing the average time needed to repair broken parts. The automated Recoverable Consumption Item Requirements System, in computing the number of items to be repaired and to be procured in a given time period, uses the average number of days for returning broken items from bases worldwide. The higher the average, the more new items that need to be procured in order to ensure adequate parts availability.

To illustrate the potential effect of quicker returns on procurement, we substituted an average return time of 16 days for the actual return times used by the automated system in computing the number of parts to be procured. For our sample items, the system's computations used average return times ranging from less than 16 days to 44 days. Sixteen days approximates the Air Force's return standard for a routine shipment. Standards for high priority returns dictate returns in less than 16

[2]The Air Force Logistics Command designates items as "critical" when priority handling and intensive management are needed because shortages are affecting combat readiness.

days, while standards for return of items not needed for current requirements, such as excess items, allow more than 16 days. Our use of 16 days is not intended to imply that this is the appropriate average return time for these items if standards are being met. A shorter average might be more appropriate if returns are primarily priority items returned from bases in the continental United States. A longer average might be more appropriate if returns are primarily low-priority items from overseas bases. We have used 16 days as an average return time simply to illustrate the effect of quicker returns on procurement needs.

Fifty two items, or 35 percent of the 148[3] different items in our sample, had an average return time in the automated requirements computation system in December 1986 of 16 days or less. Therefore, we did not change the requirement computations for these items. Of the remaining 96 items, whose average return times ranged from 17 to 44 days, the system computed in December 1986 that procurements valued at $156.8 million were needed for 38 items. Our computation showed that these procurement requirements could be reduced by $17.4 million if these items were routinely returned in an average of 16 days. Systems personnel at the Air Force Logistics Command Headquarters agreed with our approach to measuring the procurement effect of quicker returns.

Delayed returns of reparable items can also affect the readiness of weapon systems. Although spare parts needed to maintain Air Force weapon systems are periodically procured, most parts become available through the Air Force repair process. Through this process, reparable parts are used, returned to repair facilities when broken, repaired, and reissued when requisitioned. Delayed return of broken items can impede the repair process, thus eventually affecting the readiness of weapon systems awaiting spare parts.

For example, one of our sample items (a fuel control for the F100 engine, used on F-15 and F-16 aircraft) had been shipped from 17 bases to the wrong repair location at least 61 times between March 14 and May 23, 1986. This occurred after the correct address had been erroneously omitted from the automated shipping instruction file. The items should have been sent to Kelly Air Force Base (AFB), Texas, but instead were sent to a contractor in the Netherlands, which did not have a current contract to repair this item. The items were not shipped to Kelly AFB until May 30, 1986. By June, various locations had experienced

[3]In our sample of 708 requisitions, which resulted in 807 return transactions, the same items were requisitioned a number of times. The number of different items in our sample was 148.

shortages of this item, and in July it was designated "critical," indicating major impairment of combat capability.

Indications of impairment of combat capability are captured by recording mission capability hours—the number of hours a reparable part is needed but not available. Twenty-nine of our sample items had accumulated enough hours to be designated "critical" items during our test period. Eighteen of these parts had not been returned promptly for repair. Of course, shortages of reparable items can be caused by factors other than delayed returns, such as the lack of component parts for repair and late delivery of new parts.

## Reasons for Delays in Base Processing

The delayed return of reparable items cannot be attributed to a single cause. However, emphasis by commands on compliance with Air Force policies and procedures for returning reparable items is an important action in achieving more timely returns. For example, the Deputy Commander at Lakenheath in the United Kingdom had emphasized the importance of timely base processing, and base processing was considerably more timely than at the other four bases we examined. In fact, this base's average processing times were shorter than the applicable standards.

We found that factors such as the following contributed to the delayed return of reparable items:

- Broken items were held without valid justification. For example, Torrejon Air Base was holding items until replacements were received.
- Inadequate record-keeping and incorrect data files led to inappropriate or delayed actions in the return process. For example, seven items in our sample that should have been returned were inadvertently thrown away because of improper data codes.
- Regulations contain confusing and/or contradictory procedures and guidelines for returning reparable items. After discussing this with Air Force officials early in our audit, the Air Force initiated a program in November 1986 to develop consistent and realistic standards.
- No readily available mechanism exists to inform base shipping personnel that priority handling is needed. Thus, they are unlikely to meet the more stringent time standards required for critical items.

## Control Weaknesses

We also found problems which indicate internal control weaknesses, which led to impaired tracking and management of inventory items. Problems we identified included

- inaccurate and incomplete records at base level;
- inadequate visibility of items in transit to and at contractor repair facilities;
- inaccurate automated data files of repair facility addresses; and
- inadequate development and promulgation of clear administrative controls, guidance, and standards to govern the reparable return process at all levels.

## Air Force Actions and Our Conclusions and Recommendation

The basic management control systems are in place to accomplish the Air Force's goal of timely return of reparable items to centralized repair facilities, thereby avoiding unnecessary procurements and improving readiness. However, some parts of these systems are not well understood, are being disregarded, or are unclear. The Air Force is currently working to strengthen management controls as follows:

- A program was started in November 1986 to consolidate and revise administrative controls, procedures, and standards governing the return process.
- Improvements are being made, under the Federal Manager's Financial Integrity Act, to increase inventory accuracy, including (1) on-line accounting, (2) day-to-day accuracy of inventory control transactions, and (3) an in-transit control system to provide positive tracking and document control for all physical property movement.

We believe that these initiatives, if successfully implemented, should correct problems identified during our review. Successful implementation, however, will require increased management emphasis on using and improving the control systems to ensure timely returns. Timely returns are important in that they enhance combat readiness and avoid procurements that result from extended return times.

Accordingly, we recommend that the Secretary of the Air Force direct commands to emphasize the need for timely turn-in, processing, and shipment of reparable items to repair facilities. Such an emphasis, which will be especially important as new standards are implemented, could include such actions as assigning experienced personnel to key positions, providing supervisory personnel with additional training,

making frequent checks on performance, recognizing outstanding performance, and advising officers and managers at all responsibility levels in the return process of the enhanced readiness that accrues from timely returns.

## Agency Comments

DOD generally agreed with our findings and concurred with our recommendation. (See app. IV.) DOD identified several Air Force initiatives that are under way to clarify procedures concerning base-level processing and the return of reparable items. DOD commented that publication of revised procedures by the Air Force, now scheduled for early 1988, will be accompanied by increased command emphasis and oversight to ensure that improvements are made. DOD made other detailed comments, and we have revised the report where appropriate in response to these comments.

Unless you publicly announce the contents of this report earlier, we plan no further distribution until 14 days after its issue date. At that time, we will send copies to the Chairmen, House and Senate Committees on Appropriations and on Armed Services and House Committee on Government Operations; the Secretaries of Defense and the Air Force; and the Director, Office of Management and Budget.

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## Abbreviations

| | |
|---|---|
| AFB | Air Force Base |
| AFLC | Air Force Logistics Command |
| AFM | Air Force Manual |
| ALC | Air Logistics Center |
| CONUS | continental United States |
| DOD | Department of Defense |
| FMFIA | Federal Manager's Financial Integrity Act |
| GAO | General Accounting Office |
| MDR | material deficiency report |
| USAFE | U.S. Air Force, Europe |

# Introduction

To maintain its weapon systems, the Air Force manages a $33 billion inventory of about 179,000 different reparable items. The Air Force Logistics Command (AFLC) and five Air Logistics Centers (ALCs) use several automated systems to compute requirements and fill orders for replacement of these items from Air Force bases worldwide.

One of the systems, the Recoverable Consumption Item Requirements System, reports available assets and estimates the number of items that must be repaired or procured to meet total Air Force requirements for reparable items. These requirements are for spare parts (such as fuel pumps and seal assemblies) for such weapon systems as F-16 and F-111 aircraft. The system provides data on worldwide usage of spare parts to ALC managers for making decisions about purchasing items, scheduling repairs, and canceling orders.

Requirements computations are based on a variety of factors, including quantities on hand, in transit, and in the repair process; projected usage rates; and procurement lead times. For items not reparable at bases, the timeliness of the return of reparable items is affected by the time required to remove items from an aircraft or other assembly, move them through base-level processing, and ship them to a designated repair facility.

Air Force bases are to return broken items to off-base repair facilities in accordance with standards cited in various sections of the Air Force Manual (AFM). For example, AFM 67-1, volume II (phase IV), part two, chapter 17, attachment B-9, provides standards for base processing from the time of removal to shipment off base. In-transit time is covered in two other sections: AFM 67-1, volume II (phase IV), part two, chapter 6, attachment A-12 and AFM 67-1, volume I, part one, chapter 24, attachment D-1. In measuring the timeliness of returns during every phase of the return process, we used these standards, as shown in table I.1.

**Table I.1: Air Force Standards for the Return of Reparable Items**

| | Transportation priority[a] | | |
|---|---|---|---|
| **Processing segment** | **1** | **2** | **3** |
| Base processing | | | |
| Maintenance—from removal to base supply | 1 day | 2 days | 3 days |
| Supply—from base supply to base transportation | 4 hours | 8 hours | 1 day |
| Transportation—from base transportation to shipment off base | 3 days | 6 days | 13 days |
| **Total base processing** | **4 days, 4 hours** | **8 days, 8 hours** | **17 days** |
| In transit—from base to ALC or contractor | | | |
| From continental United States (CONUS) base | 4 days | 7 days | 16 days |
| From overseas base | 8 days | 11 days | 59 days |
| **Total processing time** | | | |
| **CONUS** | **8 days, 4 hours** | **15 days, 8 hours** | **33 days** |
| **Overseas** | **12 days, 4 hours** | **19 days, 8 hours** | **76 days** |

[a]Transportation priority establishes the time standards for reparable items to be returned for repair. Priority 1 is for critical items and other items warranting increased management. Priority 3 is for items not needed for current requirements (e.g., excess parts on hand). Priority 2 is for other returns.

## Objectives, Scope, and Methodology

We reviewed the return of reparable items to repair facilities to determine whether

- bases are returning reparable items and
- reparable items are returned in accordance with Air Force standards for timeliness.

To meet the review objectives, our selection of bases and items for review were as follows:

- We selected for our review two ALCs (San Antonio, Texas, and Sacramento, California) and five Air Force bases (Luke Air Force Base (AFB), Phoenix, Arizona; Bitburg Air Base, West Germany; Torrejon Air Base, Spain; and the Royal Air Force Lakenheath and Royal Air Force Upper Heyford, both of the United Kingdom). Luke ranked second, Bitburg seventh, and Torrejon thirteenth in terms of number of reparable item requisitions submitted to the San Antonio ALC by all bases. Lakenheath ranked third and Upper Heyford fourth in terms of number of reparable item requisitions submitted to the Sacramento ALC by all bases.
- We analyzed the ALCs' item requisition files to select for review only reparable items managed in the Recoverable Consumption Item Requirements System. We identified more than 100,000 reparable item

requisitions from at least 200 different sources. We established a universe of 2,047 completed requisitions for the three bases supported by the San Antonio ALC and 2,665 for the two bases supported by the Sacramento ALC.

- We selected a random sample of 708 item requisitions—474 requisitions (involving 75 stock numbers) from the three bases to the San Antonio ALC and 234 requisitions (involving 73 stock numbers) from the two bases to the Sacramento ALC. These requisitions entailed 807 return transactions because some requisitions required more than one return.

We used random samples to ensure an unbiased selection of return transactions. We are not projecting our results to the universe of transactions. To obtain the random samples, we used data from a Requisition Control Interrogation File covering the period January 1, 1986, through June 30, 1986. We did not perform a reliability assessment of the data in the automated system but did verify that data relevant to our sample transactions were correct. We did not determine whether the system contained all requisition transactions for the five bases during the test period.

In visits to the selected bases, we first established whether reparable items should have been returned to replace items requested from and shipped by the ALCs. Under certain conditions, a base may not need to return a reparable item. For example, when stock levels are being increased and when items are transferred to other bases, no items are available for return.

Next, for reparable items that should have been returned, we measured the amount of time spent in base processing and in transit to the ALCs and repair contractors. Our time measurements began on the date an item was removed from an aircraft or other assembly.

In analyzing the timeliness of returns, we focused on the time required for base processing—the amount of time a reparable item spends in the maintenance, supply, and transportation sections before shipment off base—and compared these amounts of time with Air Force standards for base processing. When possible, we determined the date our sample items had been received by repair facilities; however, we did not attempt to determine the reasons for in-transit delays.

We reviewed daily and weekly transaction reports and supply documents to determine whether items had been shipped as required and obtained confirmation of receipt by ALCs and contractors if they could

provide confirmation. At the ALCs, we determined whether items involved in our sample transactions had been considered "critical" during the test period. In addition, we investigated ALC controls over and tracking of items sent to contractors.

To determine specific reasons that items were not always returned promptly, we visited maintenance, supply, and transportation shops; examined records; and interviewed personnel who process items for return. By examining historical records and talking to personnel, we identified factors that contributed to the delay of returns.

We reviewed reports by the Air Force Audit Agency and the DOD Inspector General related to the return of and control over Air Force reparable items.

Our work was performed from July 1986 through April 1987 in accordance with generally accepted government auditing standards.

# Analysis of Sample Transactions

The five bases whose requisitions we reviewed generally returned reparable items as required but often did not make the returns within Air Force-established time standards.

## Reparable Items Are Being Returned for Repair

As shown in table II.1, returns were made in 587 of 600 cases where we could determine that returns were required—a return rate of 98 percent.

**Table II.1: Analysis of Returns for Sample Cases**

| | Return required | | | | |
|---|---|---|---|---|---|
| **Base** | **Return made** | **Return not made** | **Return not required** | **Could not determine[a]** | **Total** |
| Bitburg | 136 | 7 | 29 | 12 | 184 |
| Luke | 222 | 3 | 50 | 0 | 275 |
| Torrejon | 54 | 1 | 14 | 11 | 80 |
| Lakenheath | 99 | 1 | 33 | 20 | 153 |
| Upper Heyford | 76 | 1 | 16 | 22 | 115 |
| **Total** | **587** | **13** | **142** | **65** | **807** |

[a]Incomplete records prevented us from determining if a return was required.

Details regarding the three categories of cases in which items were not returned are presented below.

## Required Returns Not Made

In 13 cases, we found that required returns were not made. In four of these cases, the items to be returned were lost before shipment. In seven cases, items that should have been returned were inadvertently thrown away because incorrect data in the base computer showed these items as expendable rather than reparable. In two cases, we found no evidence that the items had ever been shipped or received.

## Returns Not Required

For various reasons, the bases were not required to return items to central repair facilities in 142 cases. For example, in 61 cases, the requisitions resulted from depot-level decisions to increase the base's stock of a particular item. Another 22 cases involved stock replenishments for items that had been transferred to other bases at depot request. The remaining 59 cases involved actions such as requisition cancellations and category changes from reparable to throwaway status.

## Could Not Determine Whether Return Was Required

In 65 cases, we could not determine whether the items should have been returned because records necessary to make that determination were missing or incomplete. To determine if a return is required, a link must be established between a specific maintenance request to supply for an item and supply's subsequent requisition of the item. Incomplete or missing records precluded our making this link in these cases. Such cases generally indicate poor record-keeping and/or internal control problems, as discussed in appendix III.

## Reparable Items Are Not Returned Promptly

Although the five bases we reviewed had returned reparable items in 98 percent of our sample transactions, the returns often did not meet Air Force standards for timeliness. Moreover, returns assigned transportation priority 1 met the time standards for base processing less often than other items. Details regarding our analysis of timeliness in the return of our sample cases are shown in table II.2.

**Table II.2: Returns Not Meeting Air Force Standards for Timeliness**

| | Base processing | | | In transit | | | Aggregated | | |
|---|---|---|---|---|---|---|---|---|---|
| **Base** | **Not met** | **Total** | **Percent** | **Not met** | **Total** | **Percent** | **Not met** | **Total** | **Percent** |
| | | | | **Transportation Priority 1 Items** | | | | | |
| Bitburg | 34 | 35 | 97 | 10 | 33 | 30 | 30 | 33 | 91 |
| Luke | 36 | 86 | 42 | 42 | 77 | 55 | 49 | 77 | 64 |
| Torrejon | 18 | 28 | 64 | 10 | 29 | 34 | 21 | 29 | 72 |
| Lakenheath | 1 | 10 | 10 | 1 | 10 | 10 | 1 | 10 | 10 |
| Upper Heyford | 3 | 5 | 60 | 1 | 5 | 20 | 3 | 5 | 60 |
| **Total** | **92** | **164** | **56** | **64** | **154** | **42** | **104** | **154** | **68** |
| | | | | **Other Items** | | | | | |
| Bitburg | 79 | 95 | 83 | 55 | 92 | 60 | 82 | 92 | 89 |
| Luke | 26 | 155 | 17 | 37 | 145 | 26 | 23 | 145 | 16 |
| Torrejon | 10 | 16 | 63 | 9 | 17 | 53 | 12 | 16 | 75 |
| Lakenheath | 12 | 70 | 17 | 23 | 70 | 33 | 27 | 70 | 39 |
| Upper Heyford | 41 | 60 | 68 | 17 | 60 | 28 | 27 | 60 | 45 |
| **Total** | **168** | **396** | **42** | **141** | **384** | **37** | **171** | **383** | **45** |
| | | | | **All Items** | | | | | |
| Bitburg | 113 | 130 | 87 | 65 | 125 | 52 | 112 | 125 | 90 |
| Luke | 62 | 241 | 26 | 79 | 222 | 36 | 72 | 222 | 32 |
| Torrejon | 28 | 44 | 64 | 19 | 46 | 41 | 33 | 45 | 73 |
| Lakenheath | 13 | 80 | 16 | 24 | 80 | 30 | 28 | 80 | 35 |
| Upper Heyford | 44 | 65 | 68 | 18 | 65 | 28 | 30 | 65 | 46 |
| **Total** | **260** | **560[a]** | **46** | **205** | **538[a]** | **38** | **275** | **537[a]** | **51** |

[a]A total of 587 returns were made, but complete records were not available in all cases to determine if time standards were met.

As shown, 56 percent of the high priority returns did not meet base processing standards, while 42 percent of the other returns did not meet those standards.

Table II.3 shows that not only were the Air Force's standards for timeliness not met but that the delays in returns were often lengthy.

**Table II.3: Length of Delay for Returns Beyond Standards**

| Days beyond standard | Bitburg | Luke | Torrejon | Lakenheath | Upper Heyford | Total |
|---|---|---|---|---|---|---|
| 1-4 | 12 | 31 | 6 | 11 | 13 | 73 |
| 5-10 | 25 | 25 | 11 | 9 | 5 | 75 |
| 11-20 | 36 | 9 | 14 | 6 | 8 | 73 |
| Over 20 | 39 | 7 | 2 | 2 | 4 | 54 |
| **Total** | **112** | **72** | **33** | **28** | **30** | **275** |

The Department of Defense (DOD) agreed that reparable items are not being returned promptly, and that many returns do not meet the base processing and in-transit time standards established by the Air Force. According to DOD, the procedures (and time standards) applicable to base-level processing and the return of reparable items are being revised and clarified by the Air Force to effect improvements.

To determine reasons that items were not always returned promptly, we visited maintenance, supply, and transportation shops; examined records; and interviewed personnel who process items for return. If a sample item had been shipped several months earlier, ascertaining the events and circumstances surrounding that particular transaction was often impossible. However, in most cases, we found more recent transactions involving the same part or similar parts that were being processed at the time of our visits. By examining the historical records related to our sample transactions and discussing with personnel the current transactions, we identified various factors that contributed to the delayed processing of reparable items.

## Holding Items Until Replacements Arrived

Maintenance personnel at Bitburg and Torrejon were holding broken items until they received replacements. This practice accounted for the delayed return of many of our sample items. Torrejon did not return any of our sample items before receiving replacements, and Bitburg made a

return in only one instance before receiving replacements. We discussed this practice with maintenance shop supervisors at both bases and found that the items could have been returned without delays.

Officials from U.S. Air Force, Europe (USAFE), told us that the Air Force had not provided guidance to bases on the circumstances under which reparable items may be held until replacements are received. They said that they had recommended that guidance be provided in an Air Force technical manual on handling reparable property.

After our visit, Bitburg officials took actions to emphasize the timely return of reparable items, significantly reducing average processing times. For example, the Bitburg jet engine shop had an average processing time of 13.4 days for our sample items. By January 15, 1987, about 20 weeks after our initial work, the average processing time for the jet engine shop had been reduced to 2.1 days. Further, the maintenance shop was awaiting 37 replacement parts, having already returned 20 of the related reparable items.

The noncommissioned officer in charge of the jet engine shop attributed the substantial improvements to management emphasis on correcting the problems we had identified. Actions taken included

- additional training and supervisory emphasis on turning in unserviceable parts immediately after removal,
- more frequent checks of storage areas to make sure only serviceable parts were being stored,
- requiring more experienced personnel to monitor parts turn-in and to promote better cooperation from the crew chiefs, and
- requiring completion of maintenance forms to show actions on reparable parts.

## Exhibits Held Unnecessarily

Several of our sample items were material deficiency report (MDR) exhibits,[4] which are not to be held by bases for more than 30 days. In follow-up during our visit, we found that Torrejon had 40 MDR exhibits that had been held for more than 30 days, including 10 critical items. Two noncritical items had been held for more than a year. In several instances, the base had received instructions to ship an item but had taken no action.

[4]MDR exhibits are items specially selected to illustrate unsatisfactory conditions that require further evaluation or specific disposition instruction.

Air Force Manual 67-1 requires base supply personnel to notify the appropriate ALC if they have a potential MDR exhibit. The ALC is to respond with a message either rejecting the exhibit or instructing base personnel to hold or ship the item. If the ALC does not respond to the base's original message within 20 days, the base is required to send a follow-up message. If no disposition instructions are received within a total of 30 days, the base is required to process the item for shipment to the managing inventory control center or process it for disposal based on its condition.

Both base supply and maintenance are required to track and control MDR exhibits to safeguard against loss and to ensure that Air Force resources are not needlessly tied up in supply holding areas.

## Items Held Unnecessarily in "Retained on System" Status

A number of our sample items were in "retained on system" status, a status assigned to broken items not removed from the aircraft until replacements are received. Retaining an item is justified in cases where the removal would ground the aircraft or have other significantly adverse effects.

In August 1986, Torrejon officials initiated a review of items that maintenance shops had reported in a retained on system status for long periods of time. The review was initiated because base officials questioned the validity of some of the requisitions and suspected that some of the broken items were being retained unnecessarily. The base initially reviewed all items that had been reported in a retained on system status for at least 200 days and found that 39 of 50 (78 percent) should not have been reported in this status. Five of the items that did not need to be retained on system were critical items that had been held for an average of more than 1 year. Base officials stated that their ultimate goal is to require maintenance shops to submit letters of justification for any items that have been in retained on system status for more than 10 days.

## Missing or Incorrect Shipping Instructions

If shipping instructions showing the address of the appropriate repair contractor or ALC for a reparable item are not in the Reparable Item Movement Control System, base supply must obtain shipping instructions from the ALC responsible for that item. Under current procedures, if instructions are not received within 45 days, the base must send a follow-up request for instructions.

In a June 1986 message to USAFE headquarters, Torrejon noted that these procedures are not consistent with the Air Force's requirement that critical items be processed through base supply in 4 hours. USAFE then sent a message to AFLC headquarters summarizing the problem, noting that bases may tend to ship critical items to the source of supply if shipping instructions are not available and that this could delay repairs if the source of supply and source of repair are not co-located. USAFE officials said that the situation would be compounded for USAFE units if the source of supply were in the United States and the source of repair in Europe. AFLC is studying the problem and plans to incorporate revised guidance into AFM 67-1.

# Internal Control Weaknesses

We noted several recurring problems which indicate internal control weaknesses that impair the accountability, tracking, and accuracy of supply inventories. The problems include

- incomplete and inaccurate records at base level;
- inadequate tracking of in-transit assets sent to contractor repair facilities;
- inaccurate automated data files of repair facility addresses; and
- inadequate development and distribution of clear administrative controls, guidance, and standards to govern the reparable return process at all levels.

Fiscal year 1986 was the fourth year of the Air Force's internal control program to comply with the Federal Managers' Financial Integrity Act (FMFIA) of 1982. We reported[5] in September 1985 that the Air Force did not have an adequate basis for determining whether its system of internal controls fully satisfies the requirements of the FMFIA.

In November 1986, the Secretary of the Air Force reported that significant progress had been made since fiscal year 1984 and that the system of internal accounting and administrative controls, taken as a whole, provided reasonable assurance that the objectives of the FMFIA had been met. The Secretary also reported, however, that material weaknesses still existed and that all corrective actions had not been completed.

One material weakness not fully corrected involved inventory accuracy within supply operations. DOD's planned improvements included on-line accounting, bar code technology, an in-transit control system, and day-to-day accuracy in inventory management, such as the processing of inventory control transactions.

## Base-Level Records Are Incomplete and Inaccurate

Because relevant base records were incomplete or missing for 65 return transactions, we either could not determine whether reparable items should have been returned to repair facilities or whether they, in fact, had been shipped from the bases (see app. II). Such incomplete and missing records indicate poor supply discipline and inadequate implementation of internal control procedures. For example, the Air Force has established procedures to ensure that certain reparable items turned in

[5] Air Force's Progress in Implementing the Federal Managers' Financial Integrity Act (GAO/NSIAD-85-151, September 27, 1985).

to base transportation are subsequently shipped off base. In addition, base transportation offices are required to maintain copies of the shipment documents to provide proof of the shipments. Three of the bases we visited had not fully implemented these required control procedures.

A base-level shipment suspense system records shipments for which base transportation has not yet provided shipment data (e.g., the date and mode of shipment). The system provides an automated mechanism for tracing base shipments, which is used to respond to inquiries from other Air Force activities. Secondly, according to USAFE and base transportation personnel, it is an internal control mechanism to ensure that items turned in to transportation are subsequently shipped.

Bitburg, Upper Heyford, and Lakenheath had not properly implemented the shipment suspense system at the time of our visit. As a result, transportation officials at these bases had no systematic way of ensuring that items turned in for shipment were subsequently shipped off base. Therefore, we could not determine conclusively whether the items had been shipped, lost, or otherwise mishandled.

At Bitburg, supply personnel had not produced a delinquent shipment listing for 2 months, and the last listing that had been produced showed more than 1,000 delinquent shipments. In addition, the base could not provide documentation to show that five of our sample items had been shipped off base.

At Upper Heyford, supply personnel were not receiving shipment information from base transportation, and they had not produced a delinquent shipment listing in over a year. In addition, base transportation personnel could not provide documentation showing that six items in our sample had been shipped off base.

At Lakenheath, three previous inspection reports dating back to August 1985 noted that base supply had failed to implement the shipment suspense system, and all three recommended immediate corrective action.

In addition, base-level maintenance shops at Bitburg and Upper Heyford were holding hundreds of reparable parts that had not been accounted for on inventory records. Records show that, after our initial visit in November 1986, one maintenance shop at Bitburg turned in 386 reparable items to supply valued at more than $550,000. In a subsequent visit in late December 1986, we found five reparable items not on inventory records valued at over $112,000.

We visited base supply at Upper Heyford in February 1987 and found that approximately 600 parts that had not been on inventory records had been turned in between August 1986 and January 1987. Generally, the Upper Heyford items had been turned in without research to determine whether inventory adjustments were needed. We could not identify the sources of all these undocumented parts. They might have been parts stripped from larger assemblies before they were turned in, duplicate issues from base supply, or leftovers from modification kits.

These problems are not new. For example, in July 1985, the Air Force Audit Agency reported that shops at Torrejon could not locate or account for 117 of 165 parts that were to be returned after being replaced with new parts. Also, in June 1986, a Logistics Staff Assistance Team for USAFE reported that the Bitburg maintenance shop was holding reparable items that should have been turned in.

DOD, in commenting on our draft report, said that confusion existed among Air Force transportation personnel about who has responsibility for the shipment suspense control procedures because the procedure is required by the Air Force Supply Manual but is not addressed in its Transportation Manual. At the Air Force's Worldwide Transportation and Supply Workgroup Meeting, held in April 1987, it was agreed that this requirement would be incorporated into the Transportation Manual, which is scheduled for publication in February 1988. According to DOD, this action will significantly improve base-level record-keeping.

## Items Sent to Contractors Are Inadequately Tracked

In October 1984, the DOD Inspector General reported[6] that the military departments had lost control over assets in the possession of contractors. The problems were attributed to ineffective procedures at inventory control points, inaccurate reporting by contractors, and inadequate procedures to validate contractor asset reports.

We found similar problems involving reparable items that had been sent directly from Air Force bases to contractors' repair facilities. Specifically, neither the base-level accounting systems nor ALC internal control systems include mechanisms to confirm that contractors receive reparable shipments from bases. In our sample cases, we asked 17 contractors to verify receipt and quantity for 80 shipments to them involving 245

[6] Report on the Audit of Controls Over Property at Repair and Overhaul Contractor Plants, DOD Inspector General Audit Report, No. 85-013, October 25, 1984.

reparable items. One contractor did not respond to our requests for confirmation; consequently, we cannot provide information about those shipments. Ten of the 16 contractors could not verify receipt of 10 shipments involving 46 reparable items valued at about $277,000. For example, one contractor could not verify receipt of 28 liner assembly items for the F100 engine valued at $16,000, and another could not verify receipt of 5 manifold assemblies valued at $45,000. This contractor told us that shipments could not be accounted for by individual bases; therefore, a determination as to whether a particular shipment had been received could not be made. Other contractors reported that they could not find any evidence of the shipments, parts, or documents we were attempting to confirm.

Because the bases have no method of confirming contractors' receipt of reparable items, we were unable to ascertain the disposition of any sample items for which contractors could not confirm receipt. Our findings substantiate the earlier finding by the Inspector General that control of assets at contractors' facilities is inadequate.

Our work at the ALCs showed that item managers must rely on monthly reports from contractors, which show the total number of items shipped into or out of their repair facilities. These contractor reports, however, do not confirm receipt of individual item shipments from individual bases.

ALC item managers attempt gross asset reconciliations quarterly to account for all assets. However, our interviews with several item managers, along with reviews of asset reconciliation records, showed that quarterly reconciliations are not always done. Further, reconciliations that are done show excesses or shortages of several hundred items that are not explained.

As noted earlier, one internal control weakness the Air Force recognized in its November 1986 FMFIA report concerned inventory accuracy and the lack of accountability for all assets. One corrective action specifically identified was the implementation of an "In-transit Control System to provide positive tracking and document control for all physical property movement. . . ." The cited implementation date is December 1988. We believe that effective and timely implementation of such a system could provide adequate control over assets shipped to contractors.

In response to our draft report, DOD said that the Air Force's policy for asset reconciliation requires periodic reconciliations. However, because

of the concerns raised by our report, the Deputy Assistant Secretary of Defense (Logistics) will request the Air Force to review its procedures for controlling shipments of reparable materiel to contractor facilities and to identify areas for improvement. An Air Force report on the review is to be completed by April 1988.

## Automated Data Files Do Not Show Correct Repair Contract Locations

When items are repaired by private contractors, as is common, the address of the current repair contractor is provided to bases through an automated data system called the Air Force Reparable Item Movement Control System. If this data system contains incorrect information or is not updated, items can be misdirected, resulting in long delays and impaired tracking. The inaccuracy of data in the Reparable Item Movement Control System was another problem reported by the Inspector General in October 1986. Specifically, he reported that $1.1 million of assets had been sent to inappropriate repair facilities and that another $2.8 million of assets had been shipped without proper instructions and were in excess of contracted quantities.

This condition still existed at the time of our review. One of our sample items, a fuel control for the F100 engine, valued at $170,000, was mistakenly sent from Luke AFB in March 1986 to a potential repair contractor in the Netherlands. The correct repair facility, Kelly AFB in Texas, had been erroneously omitted from the control system's data file. The fuel control was not shipped to the proper repair facility until July 1986. The item was in short supply at the time, and it was added to the critical item program in July 1986.

In a follow-up with the Netherlands contractor, we found that 61 of the fuel controls, valued at about $10.5 million, had been incorrectly sent to the Netherlands between March 14 and May 23, 1986, from 10 bases in the continental United States and from 7 bases overseas. The items had been shipped to the ALC by the Netherlands contractor on May 30, 1986, but we could not locate receipt control records at the center to show that the items had ever been received. The ALC tried to account for the items by serial number, but some of the shipping documents for the items returned from the Netherlands did not have serial number identification. The latest quarterly reconciliation by the item manager in December 1986, showed an average of 32 of these items, so the item manager believes that all the items improperly sent to the Netherlands have been recovered. However, the item manager has not done reconciliations for the two prior quarters, and the overage could have resulted from discrepancies not identified and resolved in earlier periods.

DOD commented that the Air Force has been reviewing the Reparable Item Movement Control System for improvements and is reviewing how base-level data is updated and the methodology used in assigning system codes. The results of these reviews are to be available by January 1988 and will be used to take appropriate corrective action.

## Efforts Are Under Way to Improve Guidance

Primary elements of any good internal control system are clear administrative controls, guidelines, and standards. After our questions about return processing guidance and standards, Headquarters, U.S. Air Force, initiated a program in November 1986 to develop more consistent, realistic standards and procedures to govern the management and movement of reparable items.

The November 1986 message sent to major commands to initiate the effort recognized that the current guidance governing the return process is confusing and contradictory. It cited the fact that six different regulations and manuals set forth standards and procedures for movement of materiel. The message stated, in part, that a review of the various regulations made it apparent that the Air Force does not have a coordinated plan and needs to

- review its regulations and manuals,
- analyze actual movement of materiel,
- make sure standards are consistent, and
- develop realistic standards for each processing segment from the time reparable items are removed until they are received by repair contractors.

As part of its message to major commands, Headquarters, U.S. Air Force, solicited comments and proposed solutions from all major commands. We obtained copies of the comments and proposals from six major commands with responsibility in this area. Generally, the commands agree that changes in the existing regulations are needed.

The AFLC pointed out a need to clarify the definition of "retrograde" (reparable) materiel and a need to establish a method of informing the shipping organization of an item's transportation priority so that appropriate time standards for critical and noncritical items can be applied. In discussions with us, officials at both Luke and Bitburg identified the lack of such a method as a problem inhibiting the prompt return of critical items.

Several of the responses proposed time standards for each phase of logistics processing (removal through receipt by repair facility) and for each transportation priority currently in use. The proposed time standards varied somewhat but were generally shorter than standards for both CONUS and overseas shipments currently in use.

DOD, in its comments on a draft of this report, agreed that many of the current Air Force procedures concerning base-level processing and return of reparables are not clear and noted the Air Force's initiatives to clarify these procedures. This effort, according to DOD, will (1) define "retrograde" materiel as materiel being moved from the retail level to the wholesale level, regardless of condition, and (2) develop processing time standards from the time the item (materiel) is determined to be not reparable at the base to the time the materiel is posted to the inventory record at the designated repair facility. DOD estimates that these changes will be incorporated into the appropriate Air Force supply and transportation manuals and regulations in February 1988.

# Comments From the Assistant Secretary of Defense for Production and Logistics

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C 20301-8000

PRODUCTION AND
LOGISTICS

OCT 13 1987

(L/SD)

Mr. Frank C. Conahan
Assistant Comptroller General
National Security and International
Affairs Division
U.S. General Accounting Office
Washington D.C. 20548

Dear Mr. Conahan:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "INVENTORY MANAGEMENT: Air Force Items Being Returned for Repair But Not Promptly," Dated September 3, 1987 (GAO Code 392234/OSD Case 7400).

The Department concurs with the recommendation that more emphasis be applied to the timely turn-in, processing, and shipment of reparable items to repair facilities. A detailed discussion of the Department's position on the findings and recommendation is provided in the enclosure.

Sincerely,

Robert B. Costello

Enclosure

**GAO DRAFT REPORT - DATED SEPTEMBER 3, 1987**
**(GAO CODE 392234) OSD CASE 7400**

**"INVENTORY MANAGEMENT: AIR FORCE ITEMS BEING RETURNED FOR REPAIR BUT NOT PROMPTLY"**

**DEPARTMENT OF DEFENSE COMMENTS**

* * * * *

**FINDINGS**

**FINDING A**: **Air Force Inventory Management**. The GAO observed that the Recoverable Consumption Item Requirements System is used by the Air Force to report available assets and to estimate the number of items that must be repaired or procured to meet total Air Force requirements for reparable items. The GAO further observed that this system provides Air Logistics Center (ALC) managers with data on worldwide usage of spare parts for making decisions about purchasing items, scheduling repairs and canceling orders. The GAO commented that requirements computations are based on factors such as quantities on hand, in transit, and in the repair process; usage rates; and procurement lead times. The GAO found that, for items not reparable at bases, the timeliness of the return of the items is affected by the time required for removal from the aircraft or other assembly, movement through base-level processing, and shipment to a designated repair facility. The GAO noted that Air Force bases are required to return broken items to off-base repair facilities in accordance with standards cited in various sections of the Air Force Manual which specifically address base processing time, and intransit time. (pp. 14-16/GAO Draft Report)

Now on p. 10.

**DoD POSITION**: Concur. The Department agrees that many of the current Air Force procedures concerning base level processing and return of reparables are not clear. The Air Force has an initiative underway to clarify these procedures. This effort will (1) define "retrograde" as the movement of materiel from the retail level to the wholesale level, regardless of condition; and (2) develop processing time segments from the point when the item (materiel) is determined to be Not Reparable This Station (NRTS), until the materiel is posted to the inventory record for the designated repair facility. These changes will be incorporated into the appropriate Air Force supply and transportation manuals and regulations used at the wholesale and retail levels. The projected publishing date of the definitions and the USAF Retrograde Materiel Pipeline Guidelines is February 1988.

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**FINDING B**: **Reparable Items Are Being Returned for Repair**. The GAO conducted an analysis of 807 randomly selected transactions at five Air Force bases and two ALCs, which potentially required the return of reparable items. The GAO found that 600 of the transactions required returns, of which 587 were actually made. (The GAO found that, in four cases, the items to be returned were lost before shipment, in seven cases, the items were disposed of because incorrect data in the base computer showed the items to be expendable and, in two cases, there was no evidence that the items had ever been shipped or received.) The GAO also found that 142 transactions did not require return to a central repair facility. Specifically, the GAO noted that in 61 cases, depot-level decisions had been made to increase the base stock of the item, in 22 cases the items were for stock replenishment because like items had been transferred at depot request to other bases, and in 59 cases requisitions had been cancelled and category changes had been made (i.e., from reparable to throw-away status). The GAO reported that, in 65 cases, a determination could not be made as to whether items should have been returned because the records necessary to make the determination were missing or incomplete (Also see Finding D). (pp. 2-3/GAO Draft Report)

Now on pp. 1-2.

**DoD POSITION**: Concur. Based on the GAO sample data, the Air Force carcass return rate is approximately 98 percent, i.e., of 600 transactions requiring the return of materiel to a depot, 587 returns were actually made. This confirms that the Air Force reparable system has effective incentives in place for the organizational customer to return reparable materiel to the depots.

**FINDING C**: **Reparable Items Are Not Returned Promptly**. The GAO found that, although 98 percent of the sampled transactions were returned, 51 percent of the returned reparable items did not meet the combined base processing and in-transit time standards established by the Air Force. The GAO further found that: (1) about half of the late returns exceeded the standards by more than ten days; and (2) the returns of critical items were less likely to meet time standards than were returns of noncritical items. According to the GAO, maintenance personnel at Bitburg and Torrejon were holding broken items until replacements were received. (Torrejon did not return any of the sample items before receiving replacements, and Bitburg made a return in only one instance before receiving replacements.) The GAO observed, however, that the Air Force had not provided guidance to bases on the circumstances under which reparable items may be held until replacements are received. The GAO reported also that several of the items sampled were material deficiency report (MDR) exhibits, which are not to be held by bases for more than 30 days. The GAO found Torrejon had 40 MDR exhibits that had been held for more

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than 30 days, which included 10 critical items and two noncritical items that had been held for more than a year. The GAO also observed that in several instances, the base had received instructions to ship items, but had not done so. The GAO also found that a number of the sampled items were in a "retained on system" status, which are broken items that are not removed from the aircraft until a replacement is received. The GAO explained that this is justified in cases where the removal would ground the aircraft or have other significant adverse effects. The GAO also concluded that the delays in return of reparable items could be attributed to missing or incorrect shipping instructions. The GAO observed that, if shipping instructions showing the address of the appropriate repair contractor or ALC for a reparable item are not in the Reparable Item Movement Control System, base supply must obtain the shipping instructions from the ALC responsible for that item, which takes time. The GAO acknowledged that Bitburg officials have taken action to emphasize timely return of reparable items, which has had a significant effect on reducing average processing time. The GAO generally concluded, however, that returns of critical items were less likely to meet the standards than were returns of noncritical items. (pp. 3-8, pp. 23-31/GAO Draft Report)

Now on pp. 2-4, 15-19.

**DoD POSITION**: Partially concur. The Department generally agrees that reparable items are not being returned promptly enough, and many returns do not meet the combined base processing and in-transit time standards established by the Air Force. As stated in the DoD response to Finding A, the procedures (and time standards) applicable to base level processing and return of reparables are being revised and clarified by the Air Force to effect improvements.

The Department does not, however, agree with the conclusion that critical items are less likely than noncritical items to meet the processing time standards (See page 23, Appendix II). The GAO has equated all items shipped with Transportation Priority-1 (TP-1) as critical; however, TP-1 shipments may include many items that are not designated "Air Force Critical." The term "Air Force Critical" identifies specific Air Force items that are being intensively managed due to supply shortages. (The GAO provides a more accurate description on page 3 of the letter to Senator Wilson and Chairman Glenn. It is the Department position that the conclusory statement on page 23 is misleading and should be revised to be consistent with the discussion on page 3.)

The Department agrees that additional guidance is needed to assist in determining when a reparable carcass should be retained at the base level, pending receipt of a serviceable replacement. Guidance will be developed and included in a revision to Air

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Force Regulation (AFR) 67-23, "Standard Base Supply Customers Guide." This change will be completed by April 1988. Where written guidance is not currently available, however, a technical understanding of a weapon system dictates whether the item should be retained, e.g., if an item performs a number of functions on an aircraft, but only one function is inoperable, leaving the item on the aircraft enables the aircraft to be partially mission capable. If the part is removed, the aircraft would be unable to perform any of its missions; therefore, holding the item is justified.

**FINDING D: Base Level Records Are Incomplete and Inaccurate.** The GAO found that relevant base records were incomplete or missing for 65 returned transactions and, as a result, a determination could not be made as to whether reparable items should have been returned to repair facilities or whether they, in fact, had been shipped (also see Finding B). The GAO concluded that such incomplete and missing records indicated poor supply discipline and inadequate implementation of internal control procedures. The GAO observed that the Air Force does have procedures to ensure that reparable items turned in to base transportation are subsequently shipped off base. In addition, the GAO, observed that base transportation offices are required to maintain copies of the shipment documents to provide proof of the shipments. The GAO found, however, that:

- Bitburg, Upper Heyford, and Lakenheath had not properly implemented the shipment suspense system, which provides an automated mechanism for tracking base shipments and ensuring that items turned in to transportation are subsequently shipped. The GAO concluded that, as a result, transportation officials at these bases could not ensure that items turned in for shipment were subsequently shipped off base.

- Bitburg supply personnel had not produced a delinquent shipment listing for two months, and that the last listing produced showed more than 1,000 delinquent shipments. In addition, the base could not provide documentation to show that five of the GAO sampled items had been shipped off base.

- Upper Heyford supply personnel were not receiving shipment information from base transportation, and a delinquent shipment listing had not been produced in over a year. In addition, base transportation personnel could not provide documentation showing that six of the GAO sampled items had been shipped off base.

The GAO emphasized that these problems have been reported before, i.e., in July 1985, the Air Force Audit Agency reported that

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Now on pp. 5, 20-22.

shops at Torrejon could not locate or account for 117 of 165 parts that were to be returned after being replaced with new parts and, in July 1986, a Logistics Staff Assistance Team reported that the Bitburg maintenance shop was holding reparable items which should be returned. (p. 9, pp. 33-36/GAO Draft Report)

**DoD POSITION**: Concur. The Air Force Shipment Suspense Control procedure is required by Air Force Manual (AFM) 67-1, Volume II, Part Two, Chapter 13 (Supply Manual) but is not addressed in AFR 75-1 (Transportation Manual). This led to some confusion among Air Force transportation personnel as to their responsibilities. At the April 1987 Air Force World-wide Transportation and Supply Workgroup Meeting, it was agreed that this requirement would be incorporated into AFR 75-1, thereby requiring transportation personnel to work the Shipment Suspense Card (SSC) Detail Listing (R40 Report) and to forward it to supply on a bi-monthly basis. The revision of AFR 75-1 is scheduled for publication in February 1988. It is the Department position that this action will result in significant improvements in base level record keeping.

**FINDING E**: **Inadequate Tracking of Items Sent to Contractors**. The GAO noted that, in October 1984, the DoD Inspector General reported the Military Departments had lost control over assets in the possession of contractors because of ineffective procedures at inventory control points, inaccurate reporting by contractors, and inadequate procedures to validate contractor asset reports. The GAO found similar problems involving reparable items that had been sent directly from Air Force bases to contractor repair facilities. The GAO reported that neither the base level accounting systems nor ALC internal control systems include mechanisms to confirm that contractors receive reparable shipments. As part of the review, the GAO asked 17 contractors to verify the receipt of and quantity for 80 shipments involving 245 reparable items. According to the GAO, one contractor did not respond, and ten of the 16 contractors could not verify receipt of ten shipments involving 46 reparable items valued at about $277,000. The GAO found that, because the bases have no method to confirm contractor receipt of reparable items, the disposition of the items included in the GAO sample (for which contractors could not confirm receipt) could not be verified. The GAO also found that item managers must rely on monthly reports from contractors that show the total number of items shipped into or out of their repair facilities; however, these reports do not confirm receipt of individual item shipments from individual bases. According to the GAO, ALC managers attempt quarterly gross asset reconciliations to account for all assets. The GAO concluded, however, that quarterly reconciliations are not always done, and when

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Now on pp. 5, 22-24.

these reconciliations are done, excesses and shortages are not always explained. (p. 9, pp. 37-39/GAO Draft Report)

**DoD POSITION**: Concur. The Air Force policy for asset reconciliation is contained in Air Force Logistics Command Regulation (AFLCR) 57-4. The policy requires periodic reconciliations based on the management intensity assigned to the items. Quarterly, the item manager receives contractor asset balances and uses other system data to record the reconciliation on Air Force Logistics Command (AFLC) Form 47. However, the GAO finding raises valid concerns regarding the control of materiel shipped to contractor facilities for repair. The Deputy Assistant Secretary of Defense (Logistics) will request the Air Force to review its procedures for controlling shipments of reparable materiel to contractor facilities and to identify areas for improvement. The results of the review will be documented in an Air Force report to be completed by April 1988.

**FINDING F**: **Automated Data Files Do Not Show Correct Repair Contract Location**. The GAO observed that the address of the current repair contractor is provided to bases through the Air Force Reparable Item Movement Control System. The GAO observed that, if this data system contains incorrect information or is not updated, items can be misdirected, resulting in long delays and impaired tracking. The GAO noted that data inaccuracy in the Reparable Item Movement Control System was another problem reported by the Inspector General in October 1986. Specifically, the Inspector General concluded that $1.1 million of assets had been sent to inappropriate repair facilities and another $2.8 million of assets had been shipped without proper instructions and were in excess of contracted quantities. The GAO reported that this condition still existed. The GAO cited, for example, a fuel control for the F100 engine, valued at $170,000, was mistakenly sent from Luke AFB to a potential repair contractor in the Netherlands. According to the GAO, the correct repair facility, Kelly AFB in Texas, had been erroneously omitted from the control system data file. As a result, the fuel control was not shipped to the proper facility until July 1986, even though the item was in short supply at the time. The GAO further reported that in a followup with the Netherlands contractor, the GAO found that, between March 14 and May 23, 1986, 61 of the fuel controls, valued at about $10.5 million, had been incorrectly sent to the Netherlands from 10 bases in the continental United States and from 7 bases overseas. (The GAO noted that the contractor shipped the items to the ALC on May 30, 1986.)

**DoD POSITION**: Concur. The Air Force has been reviewing the Reparable Item Movement Control System (RIMCS) for improvements. This was a discussion item at the April 1987 Air Force World-wide

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Transportation and Supply Workgroup Meeting. Taskings were assigned to review the way the base level data is updated via the stock number user directory. Additional taskings were levied to review the methodology used in assigning RIMCS codes. The results of these reviews will be available by January 1988, and will be used to take appropriate corrective action.

**FINDING G**: **Efforts Are Underway To Improve Guidance**. The GAO acknowledged that, in November 1986, the Air Force initiated a program to develop more consistent, realistic standards and procedures to govern the management and movement of reparable items. The GAO reported that the Air Force recognized the current guidance governing the return process is confusing and conflicting. The GAO further reported that the Air Force indicated:

- the regulations and manuals need review;

- the actual movement of material needs analysis;

- the standards need to be consistent; and

- realistic standards need to be developed for each processing segment, from the time reparable items are removed from any assembly until receipt by repair contractors.

The GAO reported that major commands were asked to comment and propose solutions. According to the GAO, the commands agree that changes in the existing regulations are needed.

The GAO noted, for example, that the ALC pointed out a need to clarify the definition of "retrograde" (reparable) material and a need for a method to inform the shipping organization of a specific item's transportation priority, so that appropriate time standards for critical and noncritical items can be applied. In addition, the GAO noted that several of the ALC responses proposed time standards for each phase of logistics processing for each transportation priority currently in use. The GAO observed that, while the proposed time standards varied somewhat, they were generally shorter than the present standards for both CONUS and overseas shipments. (pp. 9-10/pp. 4-43/GAO Draft Report)

Now on pp. 5, 25-26.

**DoD POSITION**: Concur. As stated in the DoD response to Finding A, the Air Force has efforts underway to improve guidance. These efforts include: (1) defining retrograde materiel movement; and (2) developing guidelines that will express in detail the timeframes for each segment in the movement of retrograde materiel from the retail level to the wholesale level. These instructions

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will be published in February 1988, and will be incorporated in appropriate supply and transportation manuals and regulations.

**RECOMMENDATION**

**RECOMMENDATION**: The GAO recommended that the Secretary of the Air Force direct commands to emphasize the need for timely turn-in, processing, and shipment of reparable items to repair facilities. (The GAO suggested that such emphasis will be especially important as new standards are implemented and could include actions such as assigning experienced personnel to key positions, providing supervisory personnel with additional training, making frequent checks on performance, recognizing outstanding performance, and advising officers and managers at all responsibility levels in the return process of the enhanced readiness that accrues from timely returns.) (pp. 10-11/GAO Draft Report)

Now on p. 5.

**DoD POSITION**: Concur. The Department agrees that increased emphasis must be applied to the timely turn-in, processing, and shipment of reparable items to repair facilities. Improved guidance is being developed by the Air Force to address base level processing and return of reparables. Publication of these procedures by the Air Force, in February 1988, will be accompanied by increased command emphasis and oversight to ensure that improvements are made. The initiatives resulting from the April 1987 Air Force World-wide Transportation and Supply Workgroup Meeting will address the problems cited by the GAO with respect to shipment suspense recordkeeping at the base level and the proper identification of repair contractor addresses in data systems (projected completion dates February and January 1988, respectively.)

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