

GAO

Report to the Subcommittee on Oversight  
of Government Management, the Federal  
Workforce, and the District of Columbia,  
Committee on Homeland Security and  
Governmental Affairs, U.S. Senate

January 2007

# DOD'S HIGH-RISK AREAS

Progress Made  
Implementing Supply  
Chain Management  
Recommendations,  
but Full Extent of  
Improvement  
Unknown





Highlights of [GAO-07-234](#), a report to the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate

## Why GAO Did This Study

Military operations in Iraq and Afghanistan have focused attention on the Department of Defense's (DOD) supply chain management. The supply chain can be critical to determining outcomes on the battlefield, and the investment of resources in DOD's supply chain is substantial. In 2005, with the encouragement of the Office of Management and Budget (OMB), DOD prepared an improvement plan to address some of the systemic weaknesses in supply chain management. GAO was asked to monitor implementation of the plan and DOD's progress toward improving supply chain management. GAO reviewed (1) the integration of supply chain management with broader defense business transformation and strategic logistics planning efforts; and (2) the extent DOD is able to demonstrate progress. In addition, GAO developed a baseline of prior supply chain management recommendations. GAO surveyed supply chain-related reports issued since October 2001, identified common themes, and determined the status of the recommendations.

## What GAO Recommends

GAO recommends that DOD complete its logistics strategy and develop and implement outcome-focused performance metrics and cost metrics for supply chain management. DOD concurred with GAO's recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-07-234](http://www.gao.gov/cgi-bin/getrpt?GAO-07-234).

To view the full product, including the scope and methodology, click on the link above. For more information, contact William M. Solis at (202) 512-8365 or [solisw@gao.gov](mailto:solisw@gao.gov).

## DOD'S HIGH-RISK AREAS

### Progress Made Implementing Supply Chain Management Recommendations, but Full Extent of Improvement Unknown

#### What GAO Found

DOD's success in improving supply chain management is closely linked with its defense business transformation efforts and completion of a comprehensive, integrated logistics strategy. Based on GAO's prior reviews and recommendations, GAO has concluded that progress in DOD's overall approach to business defense transformation is needed to confront problems in other high-risk areas, including supply chain management. DOD has taken several actions intended to advance business transformation, including the establishment of new governance structures and the issuance of an Enterprise Transition Plan aligned with the department's business enterprise architecture. As a separate effort, DOD has been developing a strategy—called the "To Be" logistics roadmap—to guide logistics programs and initiatives across the department. The strategy would identify the scope of logistics problems and capability gaps to be addressed and include specific performance goals, programs, milestones, and metrics. However, DOD has not identified a target date for completion of this effort. According to DOD officials, its completion is pending the results of the department's ongoing test of new concepts for managing logistic capabilities. Without a comprehensive, integrated strategy, decision makers will lack the means to effectively guide logistics efforts, including supply chain management, and the ability to determine if these efforts are achieving desired results.

DOD has taken a number of actions to improve supply chain management, but the department is unable to demonstrate at this time the full extent of its progress that may have resulted from its efforts. In addition to implementing audit recommendations, DOD is implementing initiatives in its supply chain management improvement plan. However, it is unclear how much progress its actions have resulted in because the plan generally lacks outcome-focused performance metrics that track progress in the three focus areas and at the initiative level. DOD's plan includes four high-level performance measures, but these measures do not explicitly relate to the focus areas, and they may be affected by many variables, such as disruptions in the distribution process, other than DOD's supply chain initiatives. Further, the plan does not include overall cost metrics that might show efficiencies gained through the efforts. Therefore, it is unclear whether DOD is meeting its stated goal of improving the provision of supplies to the warfighter and improving readiness of equipment while reducing or avoiding costs.

Over the last 5 years, audit organizations have made more than 400 recommendations that focused specifically on improving certain aspects of DOD's supply chain management. About two-thirds of the recommendations had been closed at the time GAO conducted its review, and most of these were considered implemented. Of the total recommendations, 41 percent covered the focus areas in DOD's supply chain management improvement plan: requirements forecasting, asset visibility, and materiel distribution. The recommendations addressed five common themes—management oversight, performance tracking, planning, policy, and processes.

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United States Government Accountability Office  
Washington, D.C. 20548

January 17, 2007

The Honorable Daniel K. Akaka  
Chairman  
The Honorable George V. Voinovich  
Ranking Minority Member  
Subcommittee on Oversight of Government Management, the Federal  
Workforce, and the District of Columbia  
Committee on Homeland Security and Governmental Affairs  
United States Senate

Military operations in Iraq and Afghanistan have focused attention on the performance of the Department of Defense's (DOD) supply chain management in support of deployed U.S. troops. The availability of spare parts and other critical supply items affects the readiness and operational capabilities of U.S. military forces, and the supply chain can be a critical link in determining outcomes on the battlefield. Moreover, the investment of resources in the supply chain is substantial, amounting to more than \$150 billion a year according to DOD. As a result of weaknesses in DOD's management of supply inventories and responsiveness to warfighter requirements, supply chain management has been on our list of high-risk federal government programs since 1990. We initially focused on inventory management and later determined that problems extended to other parts of the supply chain, to include requirements forecasting, asset visibility, and materiel distribution.<sup>1</sup>

In 2005, with the encouragement of the Office of Management and Budget (OMB), DOD developed a plan to address some of the systemic weaknesses as a first step toward removing supply chain management from our high-risk list. Since then we have reviewed and commented on DOD's progress toward implementing its supply chain management improvement plan, the linkage of this plan with other DOD logistics<sup>2</sup> plans, and the extent to which DOD has incorporated performance metrics for tracking and

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<sup>1</sup>GAO, *High-Risk Series: An Update*, GAO-05-207 (Washington, D.C.: January 2005).

<sup>2</sup>DOD defines "logistics" as the science of planning and carrying out the movement and maintenance of forces. Logistics has six functional areas: supply, maintenance, transportation, civil engineering, health services, and other services.

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demonstrating progress.<sup>3</sup> We have stated that, overall, DOD's plan addressing supply chain management is a good first step toward putting DOD on a path toward resolving long-standing supply chain management problems, but that the department faces a number of challenges and risks in fully implementing its proposed changes across the department and measuring progress.

In response to your Committee's request, we have continued to monitor DOD's progress toward resolving supply chain management problems. Specifically, this report discusses (1) the integration of supply chain management with broader defense business transformation and strategic logistics planning efforts and (2) the extent to which DOD is able to demonstrate progress toward improving supply chain management. In addition, we developed a baseline of recommended improvements to DOD's supply chain management that have been made over the past 5 years.

Our discussion of the integration of supply chain management with broader defense business transformation efforts is based primarily on our prior reports and testimonies. We obtained information from officials in the Office of the Secretary of Defense on their efforts to develop an overarching strategy to guide departmentwide logistics programs and initiatives. We met regularly with DOD and OMB officials to discuss the overall status of the supply chain management improvement plan, the implementation schedules of the plan's individual initiatives, and the plan's performance measures. We visited and interviewed officials from U.S. Transportation Command, the Defense Logistics Agency, the military services, and the Joint Staff to gain their perspectives on improving supply chain management. In developing a baseline of recommended supply chain management improvements, we surveyed audit reports issued between October 2001 and September 2006 by our office, the Department of Defense Office of the Inspector General (DOD-IG), and the military service audit agencies. We selected this time period because it corresponds with the onset of recent military operations that began with Operation Enduring Freedom. For each audit recommendation contained in these reports, we determined its status and focus. In analyzing the status of

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<sup>3</sup>GAO, *DOD's High-Risk Areas: High-Level Commitment and Oversight Needed for DOD Supply Chain Plan to Succeed*, GAO-06-113T (Washington, D.C.: Oct. 6, 2005) and *DOD's High-Risk Areas: Challenges Remain to Achieving and Demonstrating Progress in Supply Chain Management*, GAO-06-983T (Washington, D.C.: July 25, 2006).

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recommendations, we determined whether DOD or the component organization<sup>4</sup> concurred with the recommendations, whether the recommendations were closed, and whether closed recommendations had been implemented. We determined that the data we obtained from the DOD-IG and the service audit agencies were sufficiently reliable for our purposes. In analyzing the focus of recommendations, we identified those addressing three specific areas—requirements forecasting, asset visibility, and materiel distribution—as well those addressing other supply chain management concerns. We selected these three focus areas as the framework for our analysis based on our prior work in this high-risk area and because DOD has structured its supply chain management improvement plan around them. While we included recommendations by non-audit organizations in our analysis, we did not determine the extent to which DOD concurred with or implemented them because their status is not systemically tracked. Additional information on our analysis, including further explanation of the terms used in describing the status of recommendations, is discussed in the scope and methodology section. We conducted our review from January through November 2006 in accordance with generally accepted government auditing standards.

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## Results in Brief

DOD's success in improving supply chain management is closely linked with its overall defense business transformation efforts and completion of a comprehensive, integrated logistics strategy. Our prior reviews and recommendations have addressed business management problems that adversely affect the economy, efficiency, and effectiveness of DOD's operations, and that have resulted in a lack of adequate accountability across several of DOD's major business areas. We have concluded that progress in DOD's overall approach to business transformation—identified as a high-risk area in 2005—is needed to confront other high-risk areas, including supply chain management. We have made a number of recommendations to address defense business transformation, including strengthening the management of DOD's business systems modernization through the adoption of enterprise architecture and investment management best practices. In response, DOD has taken several actions intended to advance transformation, such as establishing governance structures like the Business Transformation Agency and developing an Enterprise Transition Plan aligned with its business enterprise

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<sup>4</sup>Depending on the nature of the recommendation, the component organization responding to it may be a military service, defense agency, command, or another office within DOD.

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architecture. As a separate effort, DOD has been developing a strategy to guide logistics programs and initiatives across the department. Called the “To Be” logistics roadmap, this strategy would identify the scope of logistics problems and capability gaps to be addressed and include specific performance goals, programs, milestones, resources, and metrics to guide improvements in supply chain management and other areas of DOD logistics. DOD has not established a target date for completing the “To Be” logistics roadmap. According to DOD officials, its completion is pending the results of the department’s ongoing test of new concepts for managing logistics capabilities. Initial results of this test are expected to be available in the spring of 2007. We have also noted previously that while DOD and its component organizations have developed multiple plans for improving aspects of logistics, the linkages among these plans have not been clearly shown. Without a comprehensive, integrated logistics strategy, decision makers will lack the means to effectively guide logistics efforts, including supply chain management, and the ability to determine if these efforts are achieving the desired results.

DOD has taken a number of actions to improve supply chain management, but the department is unable to demonstrate at this time the full extent of progress that may have resulted from its efforts. In addition to implementing audit recommendations, as discussed below, DOD is implementing initiatives in its supply chain management improvement plan. However, it is unclear how much progress its actions have resulted in because the plan generally lacks outcome-focused performance metrics that track progress in the three focus areas and at the initiative level. Performance metrics are essential for demonstrating progress toward achieving goals and providing information on which to base organizational and management decisions. Moreover, outcome-focused performance metrics show results or outcomes related to an initiative or program in terms of its effectiveness, efficiency, impact, or all of these. DOD’s plan includes four high-level performance measures that are being tracked across the department, but these measures do not explicitly reflect the performance of the initiatives or relate to the focus areas. Additionally, these measures may be affected by many variables other than DOD’s supply chain initiatives. For example, changes in customer wait time could result from wartime surges in requirements or disruption in the distribution process; hence, improvements in the high-level performance measures do not necessarily reflect the success of an initiative in DOD’s supply chain management improvement plan. Further, the plan does not include overall cost metrics that might show efficiencies gained through improvement efforts. Although DOD faces challenges to developing departmentwide



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supply chain performance measures, such as the difficulty of obtaining standardized, reliable data from noninteroperable systems, without outcome-focused performance and cost metrics, it is unclear whether DOD is progressing toward meeting its stated goal of improving the provision of supplies to the warfighter and improving readiness of equipment while reducing or avoiding costs through its supply chain initiatives.

In developing a baseline of recommended supply chain management improvements, we identified 478 recommendations that audit organizations have made between October 2001 and September 2006. DOD or the component organization concurred with 411 (86 percent) of the total recommendations. In addition, 315 (66 percent) recommendations had been closed, and 275 (87 percent) of the closed recommendations had been implemented at the time we conducted our review. The three focus areas of requirements forecasting, asset visibility, and materiel distribution accounted for 196 (41 percent) of the total recommendations, while other inventory management issues accounted for most of the remaining recommendations. In addition, we further grouped the recommendations into five common themes—management oversight, performance tracking, planning, policy, and processes. Most of the recommendations addressed processes (38 percent), management oversight (30 percent), or policy (22 percent), with comparatively fewer addressing planning (7 percent) and performance tracking (4 percent).<sup>5</sup> Studies conducted by non-audit organizations, such as the Center for Strategic and International Studies and the Defense Science Board, made recommendations that address supply chain management as part of a broader review of DOD logistics. For example, both these organizations have suggested the creation of a departmentwide logistics command responsible for end-to-end supply chain operations.

We are making recommendations to the Secretary of Defense to improve DOD's ability to guide logistics programs and initiatives across the department and to demonstrate the effectiveness, efficiency, and impact of its efforts to resolve supply chain management problems. In commenting on a draft of this report, DOD concurred with our recommendations.

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<sup>5</sup>Percentages in this report do not always add to 100 due to rounding.

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## Background

For 16 years, DOD's supply chain management processes have been on our list of high-risk areas needing urgent attention because of long-standing systemic weaknesses that we have identified in our reports. We initiated our high-risk program in 1990 to report on government operations that we identified as being at high risk for fraud, waste, abuse, and mismanagement. The program serves to identify and help resolve serious weaknesses in areas that involve substantial resources and provide critical services to the public.

Removal of a high-risk designation may be considered when legislative and agency actions, including those in response to our recommendations, result in significant and sustainable progress toward resolving a high-risk problem.<sup>6</sup> Key determinants include a demonstrated strong commitment to and top leadership support for addressing problems, the capacity to do so, a corrective action plan that provides for substantially completing corrective measures in the near term, a program to monitor and independently validate the effectiveness of corrective measures, and demonstrated progress in implementing corrective measures.

Beginning in 2005, DOD developed a plan for improving supply chain management that could reduce its vulnerability to fraud, waste, abuse, and mismanagement and place it on the path toward removal from our list of high-risk areas. This supply chain management improvement plan, initially released in July 2005, contains 10 initiatives proposed as solutions to address the root causes of problems we identified from our prior work in the areas of requirements forecasting, asset visibility, and materiel distribution.

DOD defines requirements as the need or demand for personnel, equipment, facilities, other resources, or services in specified quantities for specific periods of time or at a specified time. Accurately forecasted supply requirements are a key first step in buying, storing, positioning, and shipping items that the warfighter needs. DOD describes asset visibility as the ability to provide timely and accurate information on the location, quantity, condition, movement, and status of supplies and the ability to act on that information. Distribution is the process for synchronizing all

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<sup>6</sup>GAO, *Determining Performance and Accountability Challenges and High Risks*, GAO-01-159SP (Washington, D.C.: November 2000).

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elements of the logistics system to deliver the “right things” to the “right place” at the “right time” to support the warfighter.

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## Improvements to Supply Chain Management Are Linked with Overall Defense Business Transformation and Completion of a Comprehensive, Integrated Logistics Strategy

DOD’s success in improving supply chain management is closely linked with its overall defense business transformation efforts and completion of a comprehensive, integrated logistics strategy. In previous reports and testimonies, we have stated that progress in DOD’s overall approach to business transformation is needed to confront problems in other high-risk areas, including supply chain management. DOD has taken several steps intended to advance business transformation, including establishing new governance structures and aligning new information systems with its business enterprise architecture. Another key step to supplement these ongoing transformation efforts is completion of a comprehensive, integrated logistics strategy that would identify problems and capability gaps to be addressed, establish departmentwide investment priorities, and guide decision making.

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## DOD Is Taking Steps to Advance Business Transformation

DOD’s success in improving supply chain management is closely linked with overall defense business transformation. Our prior reviews and recommendations have addressed business management problems that adversely affect the economy, efficiency, and effectiveness of DOD’s operations, and that have resulted in a lack of adequate accountability across several of DOD’s major business areas.<sup>7</sup> We have concluded that progress in DOD’s overall approach to business transformation is needed to confront other high-risk areas, including supply chain management. DOD’s overall approach to business transformation was added to the high-risk list in 2005 because of our concern over DOD’s lack of adequate management accountability and the absence of a strategic and integrated action plan for the overall business transformation effort. Specifically, the high-risk designation for business transformation resulted because (1) DOD’s business improvement initiatives and control over resources are

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<sup>7</sup>GAO, *Department Of Defense: Sustained Leadership Is Critical to Effective Financial and Business Management Transformation*, GAO-06-1006T (Washington, D.C.: Aug. 3, 2006); GAO, *Business Systems Modernization: DOD Continues to Improve Institutional Approach, but Further Steps Needed*, GAO-06-658 (Washington, D.C.: May 15, 2006); GAO, *DOD’s High-Risk Areas: Successful Business Transformation Requires Sound Strategic Planning and Sustained Leadership*, GAO-05-520T (Washington, D.C.: Apr. 13, 2005).

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fragmented; (2) DOD lacks a clear strategic and integrated business transformation plan and investment strategy, including a well-defined enterprise architecture to guide and constrain implementation of such a plan; and (3) DOD has not designated a senior management official responsible and accountable for overall business transformation reform and related resources.

In response, DOD has taken several actions intended to advance transformation. For example, DOD has established governance structures such as the Business Transformation Agency and the Defense Business Systems Management Committee. The Business Transformation Agency was established in October 2005 with the mission of transforming business operations to achieve improved warfighter support and improved financial accountability. The agency supports the Defense Business Systems Management Committee, which is comprised of senior-level DOD officials and is intended to serve as the primary transformation leadership and oversight mechanism. Furthermore, in September 2006, DOD released an updated Enterprise Transition Plan that is intended to be both a business transformation roadmap and management tool for modernizing its business process and underlying information technology assets. DOD describes the Enterprise Transition Plan as an executable roadmap aligned to DOD's business enterprise architecture. In addition, as required by the National Defense Authorization Act for Fiscal Year 2006, DOD is studying the feasibility and advisability of establishing a Deputy Secretary for Defense Management to serve as DOD's Chief Management Officer and advise the Secretary of Defense on matters relating to management, including defense business activities.<sup>8</sup>

Business systems modernization is a critical part of DOD's transformation efforts, and successful resolution of supply chain management problems will require investment in needed information technology. DOD spends billions of dollars to sustain key business operations intended to support the warfighter, including systems and processes related to support infrastructure, finances, weapon systems acquisition, the management of contracts, and the supply chain. We have indicated at various times that modernized business systems are essential to the department's effort in

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<sup>8</sup>National Defense Authorization Act for Fiscal Year 2006, Pub. L. No. 109-163, § 907 (2006).

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addressing its supply chain management issues.<sup>9</sup> In its supply chain management improvement plan, DOD recognizes that achieving success in supply chain management is dependent on developing interoperable systems that can share critical supply data. One of the initiatives included in the plan is business system modernization,<sup>10</sup> an effort that is being led by DOD's Business Transformation Agency and includes achieving materiel visibility through systems modernization as one of its six enterprisewide priorities.

Improvements in financial management are also integrally linked to DOD's business transformation. Since our first report on the financial statement audit of a major DOD component over 16 years ago, we have repeatedly reported that weaknesses in business management systems, processes, and internal controls not only adversely affect the reliability of reported financial data, but also the management of DOD operations.<sup>11</sup> Such weaknesses have adversely affected the ability of DOD to control costs, ensure basic accountability, anticipate future costs and claims on the budget, measure performance, maintain funds control, and prevent fraud. In December 2005, DOD issued its Financial Improvement and Audit Readiness Plan to guide its financial management improvement efforts. The Financial Improvement and Audit Readiness Plan is intended to provide DOD components with a roadmap for (1) resolving problems affecting the accuracy, reliability, and timeliness of financial information; and (2) obtaining clean financial statement audit opinions. It uses an incremental approach to structure its process for examining operations, diagnosing problems, planning corrective actions, and preparing for audit. The plan also recognizes that it will take several years before DOD is able to implement the systems, processes, and other changes necessary to fully address its financial management weaknesses. Furthermore, DOD has developed an initial Standard Financial Information Structure, which is

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<sup>9</sup>GAO-06-1006T; GAO-06-658; GAO, *DOD Business Systems Modernization: Important Progress Made in Establishing Foundational Architecture Products and Investment Management Practices, but Much Work Remains*, GAO-06-219 (Washington, D.C.: Nov. 23, 2005).

<sup>10</sup>This program was previously called the Business Management Modernization Program, but it ceased to exist as a program with the establishment of the Business Transformation Agency.

<sup>11</sup>GAO-06-1006T; GAO-06-658; GAO, *Defense Management: Foundational Steps Being Taken to Manage DOD Business Systems Modernization, but Much Remains to be Accomplished to Effect True Business Transformation*, GAO-06-234T (Washington, D.C.: Nov. 9, 2005).

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DOD's enterprisewide data standard for categorizing financial information. This effort focused on standardizing general ledger and external financial reporting requirements.

While these steps are positive, defense business transformation is much broader and encompasses planning, management, organizational structures, and processes related to all key business areas. As we have previously observed, business transformation requires long-term cultural change, business process reengineering, and a commitment from both the executive and legislative branches of government. Although sound strategic planning is the foundation on which to build, DOD needs clear, capable, sustained, and professional leadership to maintain continuity necessary for success. Such leadership would provide the attention essential for addressing key stewardship responsibilities—such as strategic planning, performance management, business information management, and financial management—in an integrated manner, while helping to facilitate the overall business transformation effort within DOD. As DOD continues to evolve its transformation efforts, critical to successful reform are sustained leadership, organizational structures, and a clear strategic and integrated plan that encompasses all major business areas, including supply chain management.

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### Completion of a Comprehensive, Integrated Logistics Strategy Could Supplement Business Transformation Efforts

Another key step to supplement ongoing defense business transformation efforts is completion of a comprehensive, integrated logistics strategy that would identify problems and capability gaps to be addressed, establish departmentwide investment priorities, and guide decision making. Over the years, we have recommended that DOD adopt such a strategy, and DOD has undertaken various efforts to identify, and plan for, future logistics needs. However, DOD currently lacks an overarching logistics strategy. In December 2005, DOD issued its "As Is" Focused Logistics Roadmap, which assembled various logistics programs and initiatives associated with the fiscal year 2006 President's Budget and linked them to seven key joint future logistics capability areas. The roadmap identified more than \$60 billion of planned investments in these programs and initiatives, yet it also indicated that key focused logistics capabilities would not be achieved by 2015. Therefore, the Under Secretary of Defense for Acquisition, Technology, and Logistics directed the department to prepare a rigorous "To Be" roadmap that would present credible options to achieve focused logistics capabilities.

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According to officials with the Office of the Secretary of Defense, the “To Be” logistics roadmap will portray where the department is headed in the logistics area and how it will get there, and will allow the department to monitor progress toward achieving its objectives, as well as institutionalize a continuous assessment process that links ongoing capability development, program reviews, and budgeting. It would identify the scope of logistics problems and capability gaps to be addressed and include specific performance goals, programs, milestones, resources, and metrics to guide improvements in supply chain management and other areas of DOD logistics. Officials anticipate that the initiatives in the supply chain management improvement plan will be incorporated into the “To Be” logistics roadmap.

DOD has not established a target date for completing the “To Be” roadmap. According to DOD officials, its completion is pending the results of the department’s ongoing test of new concepts for managing logistics capabilities. The Deputy Secretary of Defense initiated this joint capability portfolio management test in September 2006 to explore new approaches for managing certain capabilities across the department, facilitating strategic choices, and improving the department’s ability to make capability trade-offs. The intent of joint capability portfolio management is to improve interoperability, minimize redundancies and gaps, and maximize effectiveness. Joint logistics is one of the four capability areas selected as test cases for experimentation. The joint logistics test case portfolio will include all capabilities required to project and sustain joint force operations, including supply chain operations. According to DOD officials, initial results of the joint logistics capability portfolio management test are expected to be available in late spring 2007, and the results of the test will then be used to complete the “To Be” logistics roadmap. The results of the test are also expected to provide additional focus on improving performance in requirements determination, asset visibility, and materiel distribution, officials said.

We have also noted previously that while DOD and its component organizations have had multiple plans for improving aspects of logistics, the linkages among these plans have not been clearly shown. In addition to the supply chain management improvement plan, current DOD plans that address aspects of supply chain management include the Enterprise Transition Plan and component-level plans developed by the military services and the Defense Logistics Agency. Although we are encouraged by DOD’s planning efforts, the department lacks a comprehensive, integrated strategy to guide logistics programs and initiatives across the department.

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Without such a strategy, decision makers will lack the means to effectively guide program efforts and the ability to determine if these efforts are achieving the desired results.

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## DOD Is Unable to Demonstrate the Full Extent of Its Progress Toward Improving Supply Chain Management

Although DOD is making progress implementing supply chain management initiatives, it is unable to demonstrate at this time the full extent to which it is improving supply chain management. DOD has established some high-level performance measures but they do not explicitly address the focus areas, and an improvement in those measures cannot be directly attributed to the initiatives. Further, the metrics in DOD's supply chain management improvement plan generally do not measure performance outcomes and costs.

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## DOD Is Making Progress Implementing Supply Chain Management Initiatives

In addition to implementing audit recommendations, as discussed in the next section of this report, DOD is making progress improving supply chain management by implementing initiatives in its supply chain management improvement plan. For example, DOD has met key milestones in its Joint Regional Inventory Materiel Management, Radio Frequency Identification, and Item Unique Identification initiatives.

- Through its Joint Regional Inventory Materiel Management initiative, DOD began to streamline the storage and distribution of defense inventory items on a regional basis, in order to eliminate duplicate materiel handling and inventory layers. Last year, DOD completed a pilot for this initiative in the San Diego region and, in January 2006, began a similar transition for inventory items in Oahu, Hawaii, which was considered operational in August 2006.
- In May 2006, DOD published an interim Defense Federal Acquisition Regulation clause governing the application of tags to different classes of assets being shipped to distribution depots and aerial ports for the Radio Frequency Identification initiative.
- The Item Unique Identification initiative, which provides for marking of personal property items with a set of globally unique data items to help DOD value and track items throughout their life cycle, received approval by the International Organization for Standardization/International Electrotechnical Commission in September 2006 for an interoperable



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solution for automatic identification and data capture based on widely used international standards.

DOD has sought to demonstrate significant improvement in supply chain management within 2 years of the plan's inception in July 2005; however, the department may have difficulty meeting its July 2007 goal. Some of the initiatives are still being developed or piloted and have not yet reached the implementation stage, others are in the early stages of implementation, and some are not scheduled for completion until 2008 or later. For example, according to DOD's plan, the Readiness Based Sparing initiative, an inventory requirements methodology that the department expects will enable higher levels of readiness at equivalent or reduced inventory costs using commercial off-the-shelf software, is not expected to begin implementation until January 2008. The Item Unique Identification initiative, which involves marking personal property items with a set of globally unique data elements to help DOD track items during their life cycles, will not be completed until December 2010 under the current schedule.

While DOD has generally stayed on track, it has reported some slippage in meeting scheduled milestones for certain initiatives. For example, a slippage of 9 months occurred in the Commodity Management initiative because additional time was required to develop a departmentwide approach. This initiative addresses the process of developing a systematic procurement approach to the department's needs for a group of items. Additionally, according to DOD's plan, the Defense Transportation Coordination initiative experienced a slippage in holding the presolicitation conference because defining requirements took longer than anticipated.<sup>12</sup> Given the long-standing nature of the problems being addressed, the complexities of the initiatives, and the involvement of multiple organizations within DOD, we would expect to see further milestone slippage in the future.

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<sup>12</sup> A bid protest has been filed with GAO concerning the terms of the solicitation.

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## DOD's Supply Chain Management Plan Does Not Track Performance Outcomes and Costs Metrics Associated with Focus Areas and Initiatives

The supply chain management improvement plan generally lacks outcome-focused performance metrics that track progress in the three focus areas and at the initiative level. Performance metrics are critical for demonstrating progress toward achieving results, providing information on which to base organizational and management decisions, and are important management tools for all levels of an agency, including the program or project level. Moreover, outcome-focused performance metrics show results or outcomes related to an initiative or program in terms of its effectiveness, efficiency, impact, or all of these. To track progress toward goals, effective performance metrics should have a clearly apparent or commonly accepted relationship to the intended performance, or should be reasonable predictors of desired outcomes; are not unduly influenced by factors outside a program's control; measure multiple priorities, such as quality, timeliness, outcomes, and cost; sufficiently cover key aspects of performance; and adequately capture important distinctions between programs. Performance metrics enable the agency to assess accomplishments, strike a balance among competing interests, make decisions to improve program performance, realign processes, and assign accountability. While it may take years before the results of programs become apparent, intermediate metrics can be used to provide information on interim results and show progress towards intended results. In addition, when program results could be influenced by external factors, intermediate metrics can be used to identify the program's discrete contribution to the specific result.

DOD's plan does include four high-level performance measures that are being tracked across the department, and while they are not required to do so, these measures do not explicitly relate to the focus areas. The four measures are as follows:

- Backorders—number of orders held in an unfilled status pending receipt of additional parts or equipment through procurement or repair.
- Customer wait time—number of days between the issuance of a customer order and satisfaction of that order.
- On-time orders—percentage of orders that are on time according to DOD's established delivery standards.

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- Logistics response time—number of days to fulfill an order placed on the wholesale level of supply from the date a requisition is generated until the materiel is received by the retail supply activity.

Additionally, these measures may be affected by many variables; hence, improvements in the high-level performance measures cannot be directly attributed to the initiatives in the plan. For example, implementing RFID at a few sites at a time has only a very small impact on customer wait time. However, variables such as natural disasters, wartime surges in requirements, or disruption in the distribution process could affect that measure. DOD's supply chain materiel management regulation requires that functional supply chain metrics support at least one enterprise-level metric.<sup>13</sup>

DOD's plan also lacks outcome-focused performance metrics for 6 of the 10 specific improvement initiatives contained in the plan. For example, while DOD intended to have RFID implemented at 100 percent of its U.S. and overseas distribution centers by September 2007—a measure indicating when scheduled milestones are met—it had not yet identified outcome-focused performance metrics that could be used to show the impact of implementation on expected outcomes, such as receiving and shipping timeliness, asset visibility, or supply consumption data. Two other examples of improvement initiatives that lack outcome-focused performance metrics are War Reserve Materiel, which aims to more accurately forecast war reserve requirements by using capability-based planning and incorporating lessons learned in Operation Iraqi Freedom, and Joint Theater Logistics, which is an effort to improve the ability of a joint force commander to execute logistics authorities and processes within a theater of operations.

One of the challenges in developing departmentwide supply chain performance measures, according to a DOD official, is obtaining standardized, reliable data from noninteroperable systems. For example, the Army currently does not have an integrated method to determine receipt processing for Supply Support Activities, which could affect asset visibility and distribution concerns. Some of the necessary data reside in the Global Transportation Network while other data reside in the Standard Army Retail Supply System. These two databases must be manually reviewed and merged in order to obtain the information for accurate

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<sup>13</sup> DOD 4140.1-R, *DOD Supply Chain Materiel Management Regulation* (May 23, 2003).

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receipt processing performance measures. Nevertheless, we believe that intermediate measures, such as outcome-focused measures for each of the initiatives or for the focus areas, could show near-term progress.

According to a DOD official, in September 2006, DOD awarded a year-long supply chain benchmarking contract to assess commercial supply chain metrics. The official indicated that six outcome measures were chosen for the initial effort: on-time delivery, order fulfillment cycle time, perfect order fulfillment, supply chain management costs, inventory days of supply, and forecast accuracy. Furthermore, the specific supply chains to be reviewed will be recommended by the various DOD components and approved by an executive committee. According to the same DOD official, the contractor will be looking at the specific supply chains approved and the industry equivalent; and a set of performance scorecards mapping the target supply segment to average and best-in-class performance from the comparison population will be developed for each supply chain and provided to the component. This assessment is a good step but it is too early to determine the effectiveness of this effort in helping DOD to demonstrate progress toward improving its supply chain management.

Further, we noted that DOD has not provided cost metrics that might show efficiencies gained through supply chain improvement efforts. In addition to improving the provision of supplies to the warfighter and improving readiness of equipment, DOD's stated goal in its supply chain management improvement plan is to reduce or avoid costs. However, 9 of the 10 initiatives in the plan lack cost metrics. Without outcome-focused performance and cost metrics for each of the improvement initiatives that are linked to the focus areas, such as requirements forecasting, asset visibility, and materiel distribution, it is unclear whether DOD is progressing toward meeting its stated goal.

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## DOD Has Implemented Recommendations for Improving Aspects of Supply Chain Management

Over the last 5 years, audit organizations have made more than 400 recommendations that focused specifically on improving certain aspects of DOD's supply chain management. DOD or the component organization concurred with almost 90 percent of these recommendations, and most of the recommendations that were closed as of the time of our review were considered implemented. We determined that the three focus areas of requirements forecasting, asset visibility, and materiel distribution accounted for 41 percent of the total recommendations made, while other inventory management and supply chain issues accounted for the remaining recommendations. We also grouped the recommendations into

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five common themes—management oversight, performance tracking, policy, planning, and processes. Several studies conducted by non-audit organizations have made recommendations that address supply chain management as part of a broader review of DOD logistics.

Appendixes I through V summarize the audit recommendations we included in our baseline. Appendix VI summarizes recommendations made by non-audit organizations.

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## DOD or the Component Organization Concurred with Most of the Recommendations

In developing a baseline of supply chain management recommendations, we identified 478 supply chain management recommendations made by audit organizations between October 2001 and September 2006. DOD or the component organization concurred with 411 (86 percent) of the recommendations; partially concurred with 44 recommendations (9 percent); and nonconcurred with 23 recommendations (5 percent).

These recommendations cover a diverse range of objectives and issues concerning supply chain management. For example, one recommendation with which DOD concurred was contained in our 2006 report on production and installation of Marine Corps truck armor. To better coordinate decisions about what materiel solutions are developed and procured to address common urgent wartime requirements, we recommended—and DOD concurred—that DOD should clarify the point at which the Joint Urgent Operational Needs process should be utilized when materiel solutions require research and development.<sup>14</sup>

In another case, DOD partially concurred with a recommendation in our 2006 report on Radio Frequency Identification (RFID), which consists of electronic tags that are attached to equipment and supplies being shipped from one location to another, enabling shipment tracking. To better track and monitor the use of RFID tags, we recommended—and DOD partially concurred—that the secretaries of each military service and the administrators of other components should determine requirements for the number of tags needed, compile an accurate inventory of the number of tags currently owned, and establish procedures to monitor and track tags,

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<sup>14</sup>GAO, *Defense Logistics: Lack of a Synchronized Approach between the Marine Corps and Army Affected the Timely Production and Installation of Marine Corps Truck Armor*, GAO-06-274 (Washington, D.C.: June 22, 2006).

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including purchases, reuse, losses, and repairs.<sup>15</sup> In its response to our report, DOD agreed to direct the military services and the U.S. Transportation Command to develop procedures to address the reuse of the tags as well as procedures for the return of tags no longer required. However, the department did not agree to establish procedures to account for the procurement, inventory, repair, or losses of existing tags in the system.

On the other hand, an example of a recommendation that DOD did not concur with was contained in our 2005 report on supply distribution operations. To improve the overall efficiency and interoperability of distribution-related activities, we recommended—but DOD did not concur—that the Secretary of Defense should clarify the scope of responsibilities, accountability, and authority between U.S. Transportation Command's role as DOD's Distribution Process Owner and other DOD components.<sup>16</sup> In its response to our report, DOD stated that the responsibilities, accountability, and authority of this role were already clear.

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## Most Closed Recommendations Were Considered Implemented

The audit organizations had closed 315 (66 percent) of the 478 recommendations at the time we conducted our review. Of the closed recommendations, 275 (87 percent) were implemented and 40 (13 percent) were not implemented as reported by the audit agencies. For example, one closed recommendation that DOD implemented was in our 2005 report on oversight of prepositioning programs. To address the risks and management challenges facing the department's prepositioning programs and to improve oversight, we recommended that the Secretary of Defense direct the Chairman, Joint Chiefs of Staff assess the near-term operational risks associated with current inventory shortfalls and equipment in poor

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<sup>15</sup>GAO, *Defense Logistics: More Efficient Use of Active RFID Tags Could Potentially Avoid Millions in Unnecessary Purchases*, GAO-06-366R (Washington, D.C.: Mar. 8, 2006).

<sup>16</sup>GAO, *Defense Logistics: DOD Has Begun to Improve Supply Distribution Operations, but Further Actions Are Needed to Sustain These Efforts*, GAO-05-775 (Washington, D.C.: Aug. 11, 2005).

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condition should a conflict arise.<sup>17</sup> In response to our recommendation, the Joint Staff conducted a mission analysis on several operational plans based on the readiness of prepositioned assets. On the other hand, an example of a closed recommendation that DOD did not implement was in our 2003 report on Navy spare parts shortages. To provide a basis for management to assess the extent to which ongoing and planned initiatives will contribute to the mitigation of critical spare parts shortages, we recommended that the Secretary of Defense direct the Secretary of the Navy to develop a framework that includes long-term goals; measurable, outcome-related objectives; implementation goals; and performance measures as a part of either the Navy Sea Enterprise strategy or the Naval Supply Systems Command Strategic Plan. DOD agreed with the intent of the recommendation, but not the prescribed action. The recommendation was closed but not implemented because the Navy did not plan to modify the Naval Supply Systems Command Strategic Plan or higher-level Sea Enterprise Strategy to include a specific focus on mitigating spare parts shortages.<sup>18</sup>

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## Recommendations to Improve Supply Chain Management Address Five Common Themes

Audit recommendations addressing the three focus areas in DOD's supply chain management improvement plan—requirements forecasting, asset visibility, and materiel distribution—accounted for 196 (41 percent) of the total recommendations. The fewest recommendations were made in the focus area of distribution, accounting for just 6 percent of the total. Other inventory management issues accounted for most of the other recommendations. In addition, a small number of recommendations, less than 1 percent of the total, addressed supply chain management issues that could not be grouped under any of these other categories. In further analyzing the recommendations, we found that they addressed five common themes—management oversight, performance tracking, policy, planning, and processes. Table 1 shows the number of audit recommendations made by focus area and theme.

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<sup>17</sup> GAO, *Defense Logistics: Better Management and Oversight of Prepositioning Programs Needed to Reduce Risk and Improve Future Programming*, GAO-05-427 (Washington, D.C.: Sept. 6, 2005).

<sup>18</sup> GAO, *Defense Inventory: Navy Logistics Strategy And Initiatives Need To Address Spare Parts Shortages*, GAO-03-708 (Washington, D.C.: June 27, 2003).

**Table 1: Audit Recommendations to Improve Supply Chain Management**

	Management oversight	Performance tracking	Policy	Planning	Processes	Total
Recommendations addressing focus areas in DOD's supply chain management plan						
Requirements forecasting	24	0	25	6	41	96
Asset visibility	27	5	15	7	19	73
Materiel distribution	10	3	7	1	6	27
<b>Subtotal</b>	<b>61</b>	<b>8</b>	<b>47</b>	<b>14</b>	<b>66</b>	<b>196</b>
Recommendations addressing other inventory management issues	82	9	56	17	114	278
Recommendations addressing other supply chain issues <sup>a</sup>	1	0	0	3	0	4
<b>Total</b>	<b>144</b>	<b>17</b>	<b>103</b>	<b>34</b>	<b>180</b>	<b>478</b>

Source: GAO analysis.

<sup>a</sup>These recommendations address aspects of supply chain management that could not be grouped into one of the three focus areas or as inventory management.

Most of the recommendations addressed processes (38 percent), management oversight (30 percent), or policy (22 percent), with comparatively fewer addressing planning (7 percent) and performance tracking (4 percent). The management oversight theme includes any recommendations involving compliance, conducting reviews, or providing information to others. For example, the Naval Audit Service recommended that the Office of the Commander, U.S. Fleet Forces Command should enforce existing requirements that ships prepare and submit Ship Hazardous Material List Feedback Reports and Allowance Change Requests, whenever required.<sup>19</sup> The performance tracking theme includes recommendations with performance measures, goals, objectives, and milestones. For example, the Army Audit Agency recommended that funding for increasing inventory safety levels be withheld until the Army Materiel Command develops test procedures and identifies key performance indicators to measure and assess its cost-effectiveness and

<sup>19</sup>Naval Audit Service, *Hazardous Material Inventory Requirements Determination and Offloads on Aircraft Carriers and Amphibious Assault Ships*, N2005-0027 (Feb. 17, 2005).



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impact on operational readiness.<sup>20</sup> The policy theme contains recommendations on issuing guidance, revising or establishing policy, and establishing guidelines. For example, the DOD-IG recommended that the Defense Logistics Agency revise its supply operating procedures to meet specific requirements.<sup>21</sup> The planning theme contains recommendations related to plan, doctrine, or capability development or implementation, as well as any recommendations related to training. For example, the Army Audit Agency recommended the Defense Supply Center in Philadelphia implement a Quality Assurance Surveillance Plan that encompasses all requirements of the prime vendor contract.<sup>22</sup> The largest theme, processes, consists of recommendations that processes and procedures should be established or documented, and recommendations be implemented. For example, we recommended that the Secretary of Defense direct the service secretaries to establish a process to share information between the Marine Corps and Army on developed or developing materiel solutions.<sup>23</sup>

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### Non-audit Organizations' Recommendations Address Supply Chain Management as Part of a Broader Review of DOD Logistics

Studies conducted by non-audit organizations contain recommendations that address supply chain management as part of a broader review of DOD logistics. For example, the Center for Strategic and International Studies and the Defense Science Board suggested the creation of a departmentwide logistics command responsible for end-to-end supply chain operations. In July 2005, the Center for Strategic and International Studies issued a report, "Beyond Goldwater-Nichols: U.S. Government and Defense Reform for a New Strategic Era," which addressed the entire U.S. national security structure, including the organization of logistics support. In this report, the study team acknowledged that recent steps, such as strengthening joint theater logistics and the existence of stronger coordinating authorities have significantly increased the unity of effort in logistical support to ongoing operations. However, according to the study, much of this reflects the combination of exemplary leadership and the intense operational pull of Operation Iraqi Freedom, and has not been formalized and

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<sup>20</sup>Army Audit Agency, *Increasing Safety Levels for Spare Parts, Office of the Deputy Chief of Staff, G-4*, A-2006-0063-ALR (Jan. 31, 2006).

<sup>21</sup>DOD-IG, *Logistics: Defense Logistics Agency Processing of Other Nonrecurring Requirements*, D-2004-018 (Nov. 7, 2003).

<sup>22</sup>Army Audit Agency, *Subsistence Prime Vendor Contract, Audit of Logistics Civil Augmentation Program*, A-2006-0168-ALL (Aug. 4, 2006).

<sup>23</sup>GAO-06-274.

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institutionalized by charter, doctrine, or organizational realignment. It further noted that the fact that a single Distribution Process Owner was needed to overcome the fragmented structure of DOD's logistical system underscores the need for fundamental reform. The study team recommended the integration of the management of transportation and supply warehousing functions under a single organization such as an integrated logistics command. The report noted that the Commission on Roles and Missions also had recommended the formation of a logistics command back in 1995.

In 2005, the Summer Study Task Force on Transformation, under the direction of the Under Secretary of Defense for Acquisition, Technology, and Logistics, convened to assess DOD's transformation progress, including the transformation of logistics capabilities. In this assessment, issued in February 2006, the Defense Science Board suggested that each segment in the supply chain is optimized for that specific function. For example, in the depot shipping segment of the supply chain, packages are consolidated into truck-size loads in order to fill the trucks for efficiency. Yet, optimizing each segment inevitably suboptimizes the major objective of end-to-end movement from source to user. The Defense Science Board report further indicated that although the assignment of the U.S. Transportation Command as the Distribution Process Owner was an important step towards addressing an end-to-end supply change, it did not go far enough to meet the objective of an effective supply chain. The necessary step is to assign a joint logistics command the authority and accountability for providing this essential support to global operations.

Unlike recommendations made by audit agencies, DOD does not systematically track the status of recommendations made by non-audit organizations. Hence, in our analysis, we did not determine the extent to which DOD concurred with or implemented recommendations from these organizations.

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## Conclusions

Overcoming systemic, long-standing problems requires comprehensive approaches. Improving DOD's supply chain management will require continued progress in defense business transformation, including completion of a comprehensive, integrated strategy to guide the department's logistics programs and initiatives. In addition, while DOD has made a commitment to improving supply chain management, as demonstrated by the development and implementation of the supply chain management improvement plan, the plan generally lacks outcome-focused

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performance metrics that would enable DOD to track and demonstrate the extent to which its individual efforts improve supply chain management or the extent of improvement in the three focus areas of requirements forecasting, asset visibility, and materiel distribution. Furthermore, without cost metrics, it will be difficult to show efficiencies gained through supply chain improvement initiatives.

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## Recommendations for Executive Action

To improve DOD's ability to guide logistics programs and initiatives across the department and to demonstrate the effectiveness, efficiency, and impact of its efforts to resolve supply chain management problems, we recommend that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology, and Logistics to take the following two actions:

Complete the development of a comprehensive, integrated logistics strategy that is aligned with other defense business transformation efforts, including the Enterprise Transition Plan. To facilitate completion of the strategy, DOD should establish a specific target date for its completion. Further, DOD should take steps as appropriate to ensure the supply chain management improvement plan and component-level logistics plans are synchronized with the department's overall logistics strategy.

Develop, implement, and monitor outcome-focused performance and cost metrics for all the individual initiatives in the supply chain management improvement plan as well as for the plan's focus areas of requirements forecasting, asset visibility, and materiel distribution.

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## Agency Comments and Our Evaluation

In its written comments on a draft of this report, DOD concurred with our recommendations. The department's response are reprinted in appendix VII.

In response to our recommendation to complete the development of a comprehensive, integrated logistics strategy, DOD stated that the strategy is under development and is aligned with other defense business transformation efforts. DOD estimated that the logistics strategy would be completed 6 months after it completes the logistics portfolio test case in the spring of 2007. DOD did not address whether it would take steps to ensure the supply chain management improvement plan and component-level logistics plans are synchronized with the department's overall

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logistics strategy. We continue to believe that these plans must be synchronized with the overall logistics strategy to effectively guide program efforts across the department and to provide the means to determine if these efforts are achieving the desired results.

In response to our recommendation to develop, implement, and monitor outcome-focused performance and cost metrics, the department indicated it has developed and implemented outcome-focused performance and cost metrics for logistics across the department. However, DOD acknowledged that more work needs to be accomplished in linking the outcome metrics to the initiatives in the supply chain management improvement plan as well as for the focus areas of requirements forecasting, asset visibility, and materiel distribution. DOD stated that these linkages will be completed as part of full implementation of each initiative. We are pleased that the department recognized the need for linking outcome-focused metrics with the individual initiatives and the three focus areas in its supply chain management improvement plan. However, it is unclear from DOD's response how and under what timeframes the department plans to implement this goal. As we noted in the report, DOD lacks outcome-focused performance metrics for supply chain management, in part because one of the challenges is obtaining standardized, reliable data from noninteroperable systems. In addition, initiatives in the supply chain management plan are many years away from full implementation. If DOD waits until full implementation to incorporate outcome-based metrics, it will miss opportunities to assess progress on an interim basis. We also continue to believe that cost metrics are critical for DOD to assess progress toward meeting its stated goal of improving the provision of supplies to the warfighter and improving readiness of equipment while reducing or avoiding costs through its supply chain initiatives.

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## Scope and Methodology

Our discussion of the integration of supply chain management with broader defense transformation efforts is based primarily on our prior reports and testimonies. We obtained information on DOD's "To Be" logistics roadmap and the joint logistics capabilities portfolio management test from senior officials in the Office of the Deputy Under Secretary of Defense for Logistics, Materiel, and Readiness. We met regularly with DOD and OMB officials to discuss the overall status of the supply chain management improvement plan, the implementation schedules of the plan's individual initiatives, and the plan's performance measures. We visited and interviewed officials from U.S. Transportation Command, the Defense

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Logistics Agency, the military services, and the Joint Staff to gain their perspectives on improving supply chain management.

To develop a baseline of recommended supply chain management improvements, we surveyed audit reports covering the time period of October 2001 to September 2006. We selected this time period because it corresponds with recent military operations that began with the onset of Operation Enduring Freedom and, later, Operation Iraqi Freedom. We surveyed audit reports issued by our office, the DOD-IG, the Army Audit Agency, the Naval Audit Service, and the Air Force Audit Agency.

For each audit recommendation contained in these reports, we determined its status and focus. To determine the status of GAO recommendations, we obtained data from our recommendation tracking system. We noted whether DOD concurred with, partially concurred with, or did not concur with each recommendation. In evaluating agency comments on our reports, we have noted instances where DOD agreed with the intent of a recommendation but did not commit to taking any specific actions to address it. For the purposes of this report, we counted these as concurred recommendations. We also noted whether the recommendation was open, closed and implemented, or closed and not implemented. In a similar manner, we worked with DOD-IG and the service audit agencies to determine the status of their recommendations. We verified with each of the audit organizations that they agreed with our definition that a recommendation is considered “concurred with” when the audit organization determines that DOD or the component organization fully agreed with the recommendation in its entirety and its prescribed actions, and “partially concurred with” is when the audit organization determines that DOD or the component organization agreed to parts of the recommendation or parts of its prescribed actions. Furthermore, we verified that a recommendation is officially “closed” when the audit organization determines that DOD or the component organization has implemented its provisions or otherwise met the intent of the recommendation; when circumstances have changed, and the recommendation is no longer valid; or when, after a certain amount of time, the audit organization determines that implementation cannot reasonably be expected. We also verified that an “open” recommendation is one that has not been closed for one of the preceding reasons. We assessed the reliability of the data we obtained from DOD-IG and the service audit agencies by obtaining information on how they track and follow up on recommendations and determined that their data were sufficiently reliable for our purposes.

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In analyzing the focus of recommendations, we identified those addressing three specific areas—requirements forecasting, asset visibility, and materiel distribution—as well those addressing other supply chain management concerns. We selected these three focus areas as the framework for our analysis based on our prior work in this high-risk area and because DOD has structured its supply chain management improvement plan around them. We then analyzed the recommendations and further divided them into one of five common themes: management oversight, performance tracking, planning, process, and policy. To identify the focus area and theme for each report and recommendation, three analysts independently labeled each report with a focus area and identified a theme for each recommendation within the report. The team of analysts then reviewed the results, discussed any discrepancies, and reached agreement on the appropriate theme for each recommendation. In the event of a discrepancy which could not be immediately resolved, we referred to the original report to clarify what the intent of the report had been in order to decide on the appropriate focus area and theme. For the purpose of our analysis, if a recommendation consisted of multiple actions, we counted and classified each action separately. We excluded from our analysis recommendations that addressed only a specific piece of equipment or system. We also excluded recommendations that addressed other DOD high-risk areas, such as business systems modernization and financial management. While we included recommendations by non-audit organizations in our analysis, we did not determine the extent to which DOD concurred with or implemented them because their status is not systemically tracked.

We conducted our review from January through November 2006 in accordance with generally accepted government auditing standards.

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We are sending copies of this report to the Director, Office of Management and Budget; the Secretary of Defense; the Deputy Secretary of Defense; the Under Secretary of Defense for Acquisition, Technology, and Logistics; and other interested parties. This report will also be available at no charge on our Web site at <http://www.gao.gov>.

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Should you or your staff have any questions concerning this report, please contact me at (202) 512-8365 or [solisw@gao.gov](mailto:solisw@gao.gov). Key contributors to this report are listed in appendix VIII.

A handwritten signature in black ink, appearing to read 'W. Solis', with a long horizontal flourish extending to the right.

William M. Solis  
Director  
Defense Capabilities and Management

# Supply Chain Management: Summary of GAO Report Recommendations

Report title, number, date	Recommendations	
<p><i>Defense Logistics: Lack of a Synchronized Approach between the Marine Corps and Army Affected the Timely Production and Installation of Marine Corps Truck Armor</i> (GAO-06-274, June 22, 2006)</p>	<p>To ensure that the services make informed and coordinated decisions about what materiel solutions are developed and procured to address common urgent wartime requirements, GAO recommended that the Secretary of Defense take the following two actions:</p>	<p>(1) Direct the service secretaries to establish a process to share information between the Marine Corps and the Army on developed or developing materiel solutions, and</p> <p>(2) Clarify the point at which the Joint Urgent Operational Needs process should be utilized when materiel solutions require research and development.</p>
<p><i>Defense Management: Attention Is Needed to Improve Oversight of DLA Prime Vendor Program</i> (GAO-06-739R, June 19, 2006)</p>		<p>GAO recommended that the Secretary of Defense direct the Under Secretary of Defense, Acquisition, Technology and Logistics to ensure that the Director of the Defense Logistics Agency provide continual management oversight of the corrective actions to address pricing problems in the prime vendor program.</p>
<p><i>Defense Inventory: Actions Needed to Improve Inventory Retention Management</i> (GAO-06-512, May 25, 2006)</p>	<p>GAO recommended that the Secretary of Defense take the following seven actions: To ensure DOD inventory management centers properly assign codes to categorize the reasons to retain items in contingency retention inventory, direct the Under Secretary of Defense for Acquisition, Technology, and Logistics to:</p>	<p>(1) Direct the Secretary of the Army to instruct the Army Materiel Command to modify the Commodity Command Standard System so it will properly categorize the reasons for holding items in contingency retention inventory.</p> <p>(2) Direct the Secretary of the Air Force to instruct the Air Force Materiel Command to correct the Application Programs, Indenture system's deficiency to ensure it properly categorizes the reasons for holding items in contingency retention inventory.</p>
	<p>To ensure that the DOD inventory management centers retain contingency retention inventory that will meet current and future operational requirements, direct the Under Secretary of Defense for Acquisition, Technology, and Logistics to:</p>	<p>(3) Direct the Secretary of the Army to instruct the Army Materiel Command to require the Aviation and Missile Command to identify items that no longer support operational needs and determine whether the items need to be removed from the inventory. The Army Materiel Command should also determine whether its other two inventory commands, the Communications-Electronics Command and Tank-automotive and Armaments Command, are also holding obsolete items, and if so, direct those commands to determine whether the disposal of those items is warranted.</p>



**Appendix I**  
**Supply Chain Management: Summary of GAO**  
**Report Recommendations**

<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
Requirements forecasting	Process	Partially concurred, open
	Process	Concurred, open
Inventory management	Management oversight	Concurred, open
Inventory management	Process	Partially concurred, open
	Process	Concurred, open
	Process	Concurred, open

**Appendix I  
Supply Chain Management: Summary of GAO  
Report Recommendations**

(Continued From Previous Page)

Report title, number, date	Recommendations
	<p>To ensure that DOD inventory management centers conduct annual reviews of contingency retention inventory as required by DOD's Supply Chain Materiel Management Regulation, direct the Under Secretary of Defense for Acquisition, Technology, and Logistics to:</p> <p>(4) Direct the Director of the Defense Logistics Agency to require the Defense Supply Center Richmond to conduct annual reviews of contingency retention inventory. The Defense Logistics Agency should also determine whether its other two centers, the Defense Supply Center Columbus and the Defense Supply Center Philadelphia, are conducting annual reviews, and if not, direct them to conduct the reviews so they can ensure the reasons for retaining the contingency retention inventory are valid.</p> <p>(5) Direct the Secretary of the Navy to instruct the Naval Inventory Control Point Mechanicsburg to conduct annual reviews of contingency retention inventory. The Naval Inventory Control Point should also determine if its other organization, Naval Inventory Control Point Philadelphia, is conducting annual reviews and if not, direct the activity to conduct the reviews so it can ensure the reasons for retaining the contingency retention inventory are valid.</p> <p>(6) Direct the Secretary of the Army to instruct the Army Materiel Command to require the Aviation and Missile Command to conduct annual reviews of contingency retention inventory. The Army Materiel Command should also determine if its other two inventory commands, the Communications-Electronics Command and Tank-automotive and Armaments Command, are conducting annual reviews and if not, direct the commands to conduct the reviews so they can ensure the reasons for retaining the contingency retention inventory are valid.</p> <p>To ensure that DOD inventory management centers implement departmentwide policies and procedures for conducting annual reviews of contingency retention inventories, direct the Office of the Deputy Under Secretary of Defense for Logistics and Materiel Readiness to take the following action:</p> <p>(7) Revise the DOD's Supply Chain Materiel Management Regulation to make clear who is responsible for providing recurring oversight to ensure the inventory management centers conduct the annual reviews of contingency retention inventory.</p>
<p><i>Defense Logistics: Several Factors Limited the Production and Installation of Army Truck Armor during Current Wartime Operations</i> (GAO-06-160, March 22, 2006)</p>	<p>To ensure funding needs for urgent wartime requirements are identified quickly, requests for funding are well documented, and funding decisions are based on risk and an assessment of the highest priority requirements, GAO recommended the Secretary of Defense direct the Secretary of the Army to establish a process to document and communicate all urgent wartime funding requirements for supplies and equipment at the time they are identified and the disposition of funding decisions.</p>

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**Appendix I  
Supply Chain Management: Summary of GAO  
Report Recommendations**

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<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
	Management oversight	Concurred, open
	Management oversight	Concurred, open
	Management oversight	Concurred, open
	Policy	Concurred, open
Requirements forecasting	Process	Concurred with intent, open

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**Appendix I**  
**Supply Chain Management: Summary of GAO**  
**Report Recommendations**

*(Continued From Previous Page)*

Report title, number, date	Recommendations
<p><i>Defense Logistics: More Efficient Use of Active RFID Tags Could Potentially Avoid Millions in Unnecessary Purchases</i> (GAO-06-366R, March 8, 2006)</p>	<p>GAO recommended that the Secretary of Defense direct the Under Secretary of Defense (Acquisition, Technology, and Logistics) to take the following two actions:</p> <p>(1) Modify the July 30, 2004, RFID policy and other operational guidance to require that active RFID tags be returned for reuse or be reused by the military services and other users.</p> <p>(2) Direct the secretaries of each military service and administrators of other components to establish procedures to track and monitor the use of active RFID tags, to include</p> <ul style="list-style-type: none"> <li>• determining requirements for the number of tags needed,</li> <li>• compiling an accurate inventory of the number of tags currently owned, and</li> <li>• establishing procedures to monitor and track tags, including purchases, reuse, losses, repairs, and any other categories that would assist management's oversight of these tags.</li> </ul>
<p><i>Defense Inventory: Army Needs to Strengthen Internal Controls for Items Shipped to Repair Contractors</i> (GAO-06-209, December 13, 2005)</p>	<p>To improve accountability of inventory shipped to Army repair contractors, GAO recommended that the Secretary of Defense direct the Secretary of the Army to instruct the Commanding General, Army Materiel Command, to take the following six actions:</p> <p>(1) Establish systematic procedures to obtain and document contractors' receipt of secondary repair item shipments in the Army's inventory management systems, and to follow up on unconfirmed receipts within 45 days of shipment.</p> <p>(2) Institute policies, consistent with DOD regulations, for obtaining and documenting contractors' receipt of government-furnished materiel shipments in the Army's inventory management systems.</p> <p>(3) Provide quarterly status reports of all shipments of Army government-furnished materiel to Defense Contract Management Agency, in compliance with DOD regulations.</p> <p>(4) Examine the feasibility of implementing DOD guidance for providing advance notification to contractors at the time of shipment and, if warranted, establish appropriate policies and procedures for implementation.</p> <p>(5) Analyze receipt records for secondary repair items shipped to contractors and take actions necessary to update and adjust inventory management data prior to transfer to the Logistics Modernization Program. These actions should include investigating and resolving shipments that lack matching receipts to determine their status.</p> <p>(6) To ensure consistent implementation of any new procedures arising from the recommendations in this report, provide periodic training to appropriate inventory control point personnel and provide clarifying guidance concerning these new procedures to the command's repair contractors.</p>

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<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
Asset visibility	Policy	Concurred, open
	Process	Partially concurred, open
Inventory management	Process	Concurred, open
	Policy	Concurred, open
	Management oversight	Concurred, open
	Policy	Concurred, open
	Process	Concurred, open
	Planning	Concurred, open

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<b>Report title, number, date</b>	<b>Recommendations</b>	
<p><i>Defense Logistics: DOD Has Begun to Improve Supply Distribution Operations, but Further Actions Are Needed to Sustain These Efforts</i> (GAO-05-775, August 11, 2005)</p>	<p>To enhance DOD's ability to take a more coordinated and systemic approach to improving the supply distribution system, GAO recommended that the Secretary of Defense take the following three actions:</p>	<p>(1) Clarify the scope of responsibilities, accountability, and authority between the Distribution Process Owner and the Defense Logistics Executive as well as the roles and responsibilities between the Distribution Process Owner, the Defense Logistics Agency, and Joint Forces Command.</p> <p>(2) Issue a directive instituting these decisions and make other related changes, as appropriate, in policy and doctrine.</p> <p>(3) Improve the Logistics Transformation Strategy by directing the Under Secretary of Defense (Acquisition, Technology, and Logistics) to include specific performance goals, programs, milestones, and resources to achieve focused logistics capabilities in the Focused Logistics Roadmap.</p> <p>To address the current underfunding of the Very Small Aperture Terminal and the Mobile Tracking System, GAO recommended that the Secretary of Defense direct the Secretary of the Army to determine whether sufficient funding priority has been given to the acquisition of these systems and, if not, to take appropriate corrective action.</p>
<p><i>Defense Logistics: Better Management and Oversight of Prepositioning Programs Needed to Reduce Risk and Improve Future Programs</i> (GAO-05-427, September 6, 2005)</p>	<p>To address the risks and management challenges facing the department's prepositioning programs and improve oversight, GAO recommended that the Secretary of Defense take the following five actions:</p>	<p>(1) Direct the Chairman, Joint Chiefs of Staff, to assess the near-term operational risks associated with current inventory shortfalls and equipment in poor condition should a conflict arise.</p> <p>(2) Direct the Under Secretary of Defense for Acquisition, Technology, and Logistics to provide oversight over the department's prepositioning programs by fully implementing the department's directive on war reserve materiel and, if necessary, revise the directive to clarify the lines of accountability for this oversight.</p> <p>(3) Direct the Secretary of the Army to improve the processes used to determine requirements and direct the Secretary of the Army and Air Force to improve the processes used to determine the reliability of inventory data so that the readiness of their prepositioning programs can be reliably assessed and proper oversight over the programs can be accomplished.</p> <p>(4) Develop a coordinated departmentwide plan and joint doctrine for the department's prepositioning programs that identifies the role of prepositioning in the transformed military and ensures these programs will operate jointly, support the needs of the war fighter, and are affordable.</p> <p>(5) Report to Congress, possibly as part of the mandated October 2005 report, how the department plans to manage the near-term operational risks created by inventory shortfalls and management and oversight issues described in this report.</p>

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<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
Materiel distribution	Management oversight	Nonconcurrent, open
	Policy	Nonconcurrent, open
	Performance tracking	Concurrent, open
	Process	Concurrent, open
Inventory management	Process	Partially concurrent, closed, implemented
	Management oversight	Partially concurrent, open
	Process	Partially concurrent, open
	Planning	Partially concurrent, open
	Management oversight	Concurrent, open

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<b>Report title, number, date</b>	<b>Recommendations</b>	
<i>Defense Logistics: Better Strategic Planning Can Help Ensure DOD's Successful Implementation of Passive Radio Frequency Identification (GAO-05-345, September 12, 2005)</i>	GAO recommend that the Secretary of Defense take the following three actions:	<p>(1) Direct the Under Secretary of Defense (Acquisition, Technology, and Logistics) to expand its current RFID planning efforts to include a DOD-wide comprehensive strategic management approach that will ensure that RFID technology is efficiently and effectively implemented throughout the department. This strategic management approach should incorporate the following key management principles:</p> <ul style="list-style-type: none"> <li>• an integrated strategy with goals, objectives, and results for fully implementing RFID in the DOD supply chain process, to include the interoperability of automatic information systems;</li> <li>• a description of specific actions needed to meet goals and objectives;</li> <li>• performance measures or metrics to evaluate progress toward achieving the goals;</li> <li>• schedules and milestones for meeting deadlines;</li> <li>• identification of total RFID resources needed to achieve full implementation; and</li> <li>• an evaluation and corrective action plan.</li> </ul> <p>(2) Direct the secretaries of each military service and administrators of other DOD military components to develop individual comprehensive strategic management approaches that support the DOD-wide approach for fully implementing RFID into the supply chain processes.</p> <p>(3) Direct the Under Secretary of Defense (Acquisition, Technology, and Logistics), the secretaries of each military service, and administrators of other military components to develop a plan that identifies the specific challenges impeding passive RFID implementation and the actions needed to mitigate these challenges. Such a plan could be included in the strategic management approach that GAO recommended they develop.</p>
<i>Defense Logistics: Actions Needed to Improve the Availability of Critical Items during Current and Future Operations (GAO-05-275, April 8, 2005)</i>	To improve the effectiveness of DOD's supply system in supporting deployed forces for contingencies, GAO recommended that the Secretary of Defense direct the Secretary of the Army to take the following three actions and specify when they will be completed:	<p>(1) Improve the accuracy of Army war reserve requirements and transparency about their adequacy by:</p> <ul style="list-style-type: none"> <li>• updating the war reserve models with OIF consumption data that validate the type and number of items needed,</li> <li>• modeling war reserve requirements at least annually to update the war reserve estimates based on changing operational and equipment requirements, and</li> <li>• disclosing to Congress the impact on military operations of its risk management decision about the percentage of war reserves being funded.</li> </ul>



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<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
Asset visibility	Planning	Nonconcurrent, open
	Planning	Concurrent, open
	Planning	Nonconcurrent, open
Requirements forecasting	Process	Concurrent with intent, open

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	<p>(2) Improve the accuracy of its wartime supply requirements forecasting process by:</p> <ul style="list-style-type: none"> <li>• developing models that can compute operational supply requirements for deploying units more promptly as part of prewar planning and</li> <li>• providing item managers with operational information in a timely manner so they can adjust modeled wartime requirements as necessary.</li> </ul>
	<p>(3) Reduce the time delay in granting increased obligation authority to the Army Materiel Command and its subordinate commands to support their forecasted wartime requirements by establishing an expeditious supply requirements validation process that provides accurate information to support timely and sufficient funding.</p>
	<p>(4) GAO also recommended that the Secretary of Defense direct the Secretary of the Navy to improve the accuracy of the Marine Corps' wartime supply requirements forecasting process by completing the reconciliation of the Marine Corps' forecasted requirements with actual OIF consumption data to validate the number as well as types of items needed and making necessary adjustments to their requirements. The department should also specify when these actions will be completed.</p>
GAO recommended that the Secretary of Defense direct the Secretary of the Army and Director of the Defense Logistics Agency to take the following two actions:	<p>(5) Minimize future acquisition delays by assessing the industrial-base capacity to meet updated forecasted demands for critical items within the time frames required by operational plans as well as specify when this assessment will be completed, and</p> <p>(6) Provide visibility to Congress and other decision makers about how the department plans to acquire critical items to meet demands that emerge during contingencies.</p>
GAO also recommended the Secretary of Defense take the following three actions and specify when they would be completed:	<p>(7) Revise current joint logistics doctrine to clearly state, consistent with policy, who has responsibility and authority for synchronizing the distribution of supplies from the United States to deployed units during operations;</p> <p>(8) Develop and exercise, through a mix of computer simulations and field training, deployable supply receiving and distribution capabilities including trained personnel and related equipment for implementing improved supply management practices, such as radio frequency identification tags that provide in-transit visibility of supplies, to ensure they are sufficient and capable of meeting the requirements in operational plans; and</p> <p>(9) Establish common supply information systems that ensure the DOD and the services can requisition supplies promptly and match incoming supplies with unit requisitions to facilitate expeditious and accurate distribution.</p>

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Focus area	Theme	Status of recommendations
	Process	Concurred with intent, open
	Process	Concurred with intent, open
	Process	Concurred with intent, open
	Planning	Concurred with intent, open
	Management oversight	Concurred with intent, open
	Policy	Concurred with intent, open
	Planning	Concurred with intent, open
	Process	Concurred with intent, open

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Report title, number, date	Recommendations	
<p><i>Defense Inventory: Improvements Needed in DOD's Implementation of Its Long-Term Strategy for Total Asset Visibility of Its Inventory</i> (GAO-05-15, December 6, 2004)</p>	<p>GAO continued to believe, as it did in April 1999, that DOD should develop a cohesive, departmentwide plan to ensure that total asset visibility is achieved. Specifically, GAO recommended that the Secretary of Defense develop a departmentwide long-term total asset visibility strategy as part of the Business Enterprise Architecture that:</p>	<p>(1) Describes the complete management structure and assigns accountability to specific offices throughout the department, with milestones and performance measures, for ensuring timely success in achieving total asset visibility;</p> <p>(2) Identifies the resource requirements for implementing total asset visibility and includes related investment analyses that show how the major information technology investments will support total asset visibility goals;</p> <p>(3) Identifies how departmentwide systems issues that affect implementation of total asset visibility will be addressed; and</p> <p>(4) Establishes outcome-oriented total asset visibility goals and performance measures for all relevant components and closely links the measures with timelines for improvement. In addition, since 2001, GAO made a number of recommendations aimed at improving DOD's refinement and implementation of the business management modernization program. Most recently, GAO identified the need to have component plans clearly linked to the long-term objectives of the department's business management modernization program. As they relate to total asset visibility, GAO continued to believe that these recommendations were valid.</p>
<p><i>Foreign Military Sales: DOD Needs to Take Additional Actions to Prevent Unauthorized Shipments of Spare Parts</i> (GAO-05-17, November 9, 2004)</p>	<p>To reduce the likelihood of releasing classified and controlled spare parts that DOD does not want to be released to foreign countries, GAO recommended that the Secretary of Defense take the following three actions:</p>	<p>(1) Direct the Under Secretary of Defense for Policy, in conjunction with the Secretaries of the Army and the Navy, and direct the Secretary of the Air Force to develop an implementation plan, such as a <i>Plan of Actions &amp; Milestones</i>, specifying the remedial actions to be taken to ensure that applicable testing and review of the existing requisition-processing systems are conducted on a periodic basis.</p> <p>(2) Direct the Under Secretary of Defense for Policy, in conjunction with the Secretaries of the Army, the Air Force, and the Navy, to determine whether current plans for developing the Case Execution Management Information System call for periodic testing and, if not, provide for such testing.</p> <p>(3) Direct the Under Secretary of Defense for Policy, in conjunction with the Secretary of the Navy, and direct the Secretary of the Air Force to determine if it would be beneficial to modify the Navy's and the Air Force's requisition-processing systems so that the systems reject requisitions for classified or controlled parts that foreign countries make under blanket orders and preclude country managers from manually overriding system decisions, and to modify their systems as appropriate.</p>

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<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
Asset visibility	Performance tracking	Concurred with intent, closed, implemented
	Planning	Concurred with intent, open
	Planning	Concurred with intent, closed, implemented
	Performance tracking	Partially concurred, open
Inventory management	Planning	Partially concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
	Process	Concurred, closed, not implemented

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Report title, number, date	Recommendations	
<i>Defense Inventory: Navy Needs to Improve the Management Over Government- Furnished Material Shipped to Its Repair Contractors</i> (GAO-04-779, July 23, 2004)	To improve the control of government-furnished material shipped to Navy repair contractors, GAO recommended that the Secretary of Defense direct the Secretary of the Navy to instruct the Commander, Naval Inventory Control Point, to implement the following three actions:	<p>(1) Require Navy repair contractors to acknowledge receipt of material that is received from the Navy's supply system as prescribed by DOD procedure.</p> <p>(2) Follow up on unconfirmed material receipts within the 45 days as prescribed in the DOD internal control procedures to ensure that the Naval Inventory Control Point can reconcile material shipped to and received by its repair contractors.</p> <p>(3) Implement procedures to ensure that quarterly reports of all shipments of government-furnished material to Navy repair contractors are generated and distributed to the Defense Contract Management Agency.</p>
<i>Defense Inventory: Analysis of Consumption of Inventory Exceeding Current Operating Requirements Since September 30, 2001</i> (GAO-04-689, August 2, 2004)	To address the inventory management shortcomings that GAO identified, GAO recommended that the Secretary of Defense take the following three actions:	<p>(1) Direct the military services and the Defense Logistics Agency to determine whether it would be beneficial to use the actual storage cost data provided by Defense Logistics Agency in their computations, instead of using estimated storage costs, and include that data in their systems and models as appropriate;</p> <p>(2) Direct the Secretary of the Air Force to establish and implement a systemwide process for correcting causes of inventory discrepancies between the inventory for which item managers are accountable and the inventory reported by bases and repair centers; and</p> <p>(3) Direct the Secretary of the Air Force to revise its policy to require item managers to code inventory so that the inventory is properly categorized.</p>
<i>Foreign Military Sales: Improved Navy Controls Could Prevent Unauthorized Shipments of Classified and Controlled Spare Parts to Foreign Countries</i> (GAO-04-507, June 25, 2004)	To improve internal controls over the Navy's foreign military sales program and to prevent foreign countries from obtaining classified and controlled spare parts under blanket orders, GAO recommended that the Secretary of Defense instruct the Secretary of the Navy to take the following six actions:	<p>(1) Consult with the appropriate officials to resolve the conflict between the DOD and Navy policies on the Navy's use of waivers allowing foreign countries to obtain classified spare parts under blanket orders.</p> <p>(2) Determine and implement the necessary changes required to prevent the current system from erroneously approving blanket order requisitions for classified spare parts until the new system is deployed.</p> <p>(3) Establish policies and procedures for the Navy's country managers to follow when documenting their decisions to override the system when manually processing blanket order requisitions.</p> <p>(4) Require that the Navy's country managers manually enter blanket order requisitions into the Navy's system to correctly represent foreign-country-initiated orders versus U.S. government-initiated orders so the Navy's system will validate whether the foreign countries are eligible to receive the requested spare parts.</p>

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<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
Inventory management	Process	Concurred, open
	Process	Concurred, open
	Process	Concurred, closed, implemented
Inventory management	Process	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Policy	Concurred, closed, implemented
Inventory management	Process	Concurred, closed, implemented
	Process	Partially concurred, closed, implemented
	Policy	Concurred, closed, implemented
	Management oversight	Partially concurred, closed, implemented

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<b>Report title, number, date</b>	<b>Recommendations</b>
	<p>(5) Establish policies and procedures to follow for blanket orders when the Navy's country managers replace spare parts requested by manufacturer or vendor part numbers with corresponding government national stock numbers.</p>
	<p>(6) Establish interim policies and procedures, after consulting with appropriate government officials, for recovering classified or controlled spare parts shipped to foreign countries that might not have been eligible to receive them under blanket orders until the Defense Security Cooperation Agency develops guidance on this issue.</p>
<p>To improve the Navy system's internal controls aimed at preventing foreign countries from obtaining classified and controlled spare parts under blanket orders, GAO recommended that the Secretary of Defense direct the Under Secretary of Defense for Policy to require the appropriate officials to take the following two actions:</p>	<p>(7) Modify the Navy's system to revalidate blanket order requisitions when the Navy's country manager replaces spare parts that are requested by manufacturer or vendor part numbers.</p>
	<p>(8) Periodically test the system to ensure that it is accurately reviewing blanket order requisitions before approving them.</p>



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<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
	Policy	Concurred, closed, implemented
	Policy	Partially concurred, closed, not implemented
	Process	Concurred, closed, implemented
	Process	Concurred, closed, implemented

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Report title, number, date	Recommendations
<p><i>Foreign Military Sales: Improved Army Controls Could Prevent Unauthorized Shipments of Classified Spare Parts and Items Containing Military Technology to Foreign Countries</i> (GAO-04-327, April 15, 2004)</p>	<p>To improve internal controls over the Army's foreign military sales program and to prevent foreign countries from being able to obtain classified spare parts or unclassified items containing military technology that they are not eligible to receive under blanket orders, GAO recommended that the Secretary of Defense instruct the Secretary of the Army to take the following two actions:</p> <p>To improve the Army system's internal controls aimed at preventing foreign countries from obtaining classified spare parts or unclassified items containing military technology under blanket orders, GAO recommended that the Secretary of Defense direct the Under Secretary of Defense for Policy to require the appropriate officials to take the following two actions:</p>
<p><i>Defense Inventory: Opportunities Exist to Improve Spare Parts Support Aboard Deployed Navy Ships</i> (GAO-03-887, August 29, 2003)</p>	<p>In order to improve supply availability, enhance operations and mission readiness, and reduce operating costs for deployed ships, GAO recommended the Secretary of Defense direct the Secretary of the Navy to:</p>

- (1) Modify existing policies and procedures, after consultation with the appropriate government officials, to cover items shipped in lieu of items ordered to also ensure the recovery of classified spare parts that have been shipped to foreign countries that may not be eligible to receive them under blanket orders.
- (2) Modify existing policies and procedures covering items, after consultation with the appropriate government officials, to cover items shipped in lieu of items ordered to also ensure the recovery of unclassified items containing military technology that have been shipped to foreign countries that may not be eligible to receive them under blanket orders.
- (3) Modify the system so that it identifies blanket order requisitions for unclassified items containing military technology that should be reviewed before they are released.
- (4) Periodically test the system and its logic for restricting requisitions to ensure that the system is accurately reviewing and approving blanket order requisitions.
- (1) Develop plans to conduct periodic ship configuration audits and to ensure that configuration records are updated and maintained in order that accurate inventory data can be developed for deployed ships;
- (2) Ensure that demand data for parts entered into ship supply systems are recorded promptly and accurately as required to ensure that onboard ship inventories reflect current usage or demands;
- (3) Periodically identify and purge spare parts from ship inventories to reduce costs when parts have not been requisitioned for long periods of time and are not needed according to current and accurate configuration and parts demand information; and
- (4) Ensure that casualty reports are issued consistent with high priority maintenance work orders, as required by Navy instruction, to provide a more complete assessment of ship's readiness.

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<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
Inventory management	Policy	Nonconcurrent, closed, not implemented
	Policy	Nonconcurrent, closed, not implemented
	Process	Concurrent, closed, implemented
	Process	Concurrent, closed, implemented
Requirements forecasting	Planning	Concurrent, open
	Process	Concurrent, open
	Process	Concurrent, open
	Management oversight	Concurrent with intent, closed, implemented

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Report title, number, date	Recommendations	
<i>Defense Inventory: Several Actions Are Needed To Further DLA's Efforts to Mitigate Shortages of Critical Parts</i> (GAO-03-709, August 1, 2003)	To improve the supply availability of critical readiness degrading spare parts that may improve the overall readiness posture of the military services, GAO recommended that the Secretary of Defense direct the Director of the Defense Logistics Agency to:	<p>(1) Submit, as appropriate, requests for waiver(s) of the provisions of the DOD Supply Chain Materiel Management Regulation 4140.1-R that limit the safety level of supply parts to specific demand levels. Such waivers would allow Defense Logistics Agency to buy sufficient critical spare parts that affect readiness of service weapon systems to attain an 85 percent minimum availability goal;</p> <p>(2) Change the agency's current aggregate 85 percent supply availability goal for critical spare parts that affect readiness, to a minimum 85 percent supply availability goal for each critical spare part, and because of the long lead times in acquiring certain critical parts, establish annual performance targets for achieving the 85 percent minimum goal; and</p> <p>(3) Prioritize funding as necessary to achieve the annual performance targets and ultimately the 85 percent minimum supply availability goal.</p>
<i>Foreign Military Sales: Improved Air Force Controls Could Prevent Unauthorized Shipments of Classified and Controlled Spare Parts to Foreign Countries</i> (GAO-03-664, July 29, 2003)	To improve internal controls over the Air Force's foreign military sales program and to minimize countries' abilities to obtain classified or controlled spare parts under blanket orders for which they are not eligible, GAO recommended that the Secretary of Defense instruct the Secretary of the Air Force to require the appropriate officials to take the following steps:	<p>(1) Modify the Security Assistance Management Information System so that it validates country requisitions based on the requisitioned item's complete national stock number.</p> <p>(2) Establish policies and procedures for recovering classified or controlled items that are erroneously shipped.</p> <p>(3) Establish policies and procedures for validating modifications made to the Security Assistance Management Information System to ensure that the changes were properly made.</p> <p>(4) Periodically test the Security Assistance Management Information System to ensure that the system's logic for restricting requisitions is working correctly.</p> <p>(5) Establish a policy for command country managers to document the basis for their decisions to override Security Assistance Management Information System or foreign military sales case manager recommendations.</p>
<i>Defense Inventory: Navy Logistics Strategy and Initiatives Need to Address Spare Parts Shortages</i> (GAO-03-708, June 27, 2003)	GAO recommended that the Secretary of Defense direct the Secretary of the Navy to:	<p>(1) Develop a framework for mitigating critical spare parts shortages that includes long-term goals; measurable, outcome-related objectives; implementation goals; and performance measures as a part of either the Navy Sea Enterprise strategy or the Naval Supply Systems Command Strategic Plan, which will provide a basis for management to assess the extent to which ongoing and planned initiatives will contribute to the mitigation of critical spare parts shortages; and</p> <p>(2) Implement the Office of the Secretary of Defense's recommendation to report, as part of budget requests, the impact of funding on individual weapon system readiness with a specific milestone for completion.</p>

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<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
Inventory management	Process	Concurred, closed, implemented
	Performance tracking	Concurred with intent, closed, not implemented
	Performance tracking	Concurred with intent, closed, not implemented
Inventory management	Process	Concurred, closed, implemented
	Policy	Concurred, open
	Policy	Concurred, open
	Process	Partially concurred, closed, implemented
	Policy	Concurred, closed, implemented
Inventory management	Performance tracking	Concurred with intent, closed, not implemented
	Process	Concurred with intent, closed, implemented

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Report title, number, date	Recommendations
<p><i>Defense Inventory: The Department Needs a Focused Effort to Overcome Critical Spare Parts Shortages</i> (GAO-03-707, June 27, 2003)</p>	<p>In order to improve the department's logistics strategic plan to achieve results for overcoming spare parts shortages, improve readiness, and address the long-standing weaknesses that are limiting the overall economy and efficiency of logistics operations, GAO recommended that the Secretary of Defense direct the Under Secretary for Acquisition, Technology, and Logistics to:</p>
	<p>GAO also recommended that the Secretary of Defense direct the Under Secretary of Defense, Comptroller to</p>
<p><i>Defense Inventory: Air Force Plans and Initiatives to Mitigate Spare Parts Shortages Need Better Implementation</i> (GAO-03-706, June 27, 2003)</p>	<p>GAO recommended that the Secretary of Defense direct the Secretary of the Air Force to take the following steps:</p>
<p><i>Defense Inventory: The Army Needs a Plan to Overcome Critical Spare Parts Shortages</i> (GAO-03-705, June 27, 2003)</p>	<p>GAO recommended that the Secretary of Defense direct the Secretary of the Army to:</p>

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<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
Inventory management	Performance tracking	Concurred with intent, closed, not implemented
	Performance tracking	Partially concurred, closed, not implemented
Inventory management	Performance tracking	Concurred with intent, closed, implemented
	Process	Concurred with intent, closed, not implemented
	Performance tracking	Concurred with intent, closed, implemented
	Planning	Concurred with intent, closed, implemented
	Process	Concurred with intent, closed, implemented
Inventory management	Planning	Concurred with intent, closed, not implemented
	Process	Concurred with intent, closed, implemented

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<b>Report title, number, date</b>	<b>Recommendations</b>	
<i>Defense Inventory: Overall Inventory and Requirements Are Increasing, but Some Reductions in Navy Requirements Are Possible (GAO-03-355, May 8, 2003)</i>	To improve the accuracy of the Navy's secondary inventory requirements, GAO recommended that the Secretary of Defense direct the Secretary of the Navy to require the Commander, Naval Supply Systems Command, to require its inventory managers to use the most current data available for computing administrative lead time requirements.	
<i>Defense Inventory: Better Reporting on Spare Parts Spending Will Enhance Congressional Oversight (GAO-03-18, October 24, 2002)</i>	Given the importance of spare parts to maintaining force readiness, and as justification for future budget requests, actual and complete information would be important to DOD as well as Congress. Therefore, GAO recommended that the Secretary of Defense:	<ul style="list-style-type: none"> <li>(1) Issue additional guidance on how the services are to identify, compile, and report on actual and complete spare parts spending information, including supplemental funding, in total and by commodity, as specified by Exhibit OP-31 and</li> <li>(2) Direct the Secretaries of the military departments to comply with Exhibit OP-31 reporting guidance to ensure that complete information is provided to Congress on the quantities of spare parts purchased and explanations of deviations between programmed and actual spending.</li> </ul>
<i>Defense Management: Munitions Requirements and Combatant Commanders' Needs Require Linkage (GAO-03-17, October 15, 2002)</i>	GAO recommended that the Secretary of Defense establish a direct link between the munitions needs of the combatant commands—recognizing the impact of weapons systems and munitions preferred or expected to be employed—and the munitions requirements determinations and purchasing decisions made by the military services.	
<i>Defense Inventory: Improved Industrial Base Assessment for Army War Reserve Spares Could Save Money (GAO-02-650, July 12, 2002)</i>	In order to improve the Army's readiness for wartime operations, achieve greater economy in purchasing decisions, and provide Congress with accurate budget submissions for war reserve spare parts, GAO recommended that the Secretary of Defense direct the Secretary of the Army to have the Commander of Army Material Command take the following actions to expand or change its current process consistent with the attributes in this report:	<ul style="list-style-type: none"> <li>(1) Establish an overarching industrial base capability assessment process that considers the attributes in this report.</li> <li>(2) Develop a method to efficiently collect current industrial base capability data directly from industry itself.</li> <li>(3) Create analytical tools that identify potential production capability problems such as those due to surge in wartime spare parts demand.</li> <li>(4) Create management strategies for resolving spare parts availability problems, for example, by changing acquisition procedures or by targeting investments in material and technology resources to reduce production lead times.</li> </ul>



**Appendix I**  
**Supply Chain Management: Summary of GAO**  
**Report Recommendations**

<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
Requirements forecasting	Process	Concurred, closed, implemented
Inventory management	Policy	Partially concurred, closed, implemented
	Management oversight	Partially concurred, closed, implemented
Requirements forecasting	Process	Concurred, closed, implemented
Inventory management	Process	Partially concurred, closed, not implemented
	Process	Partially concurred, closed, not implemented
	Process	Partially concurred, closed, not implemented
	Process	Partially concurred, closed, not implemented

**Appendix I**  
**Supply Chain Management: Summary of GAO**  
**Report Recommendations**

(Continued From Previous Page)

Report title, number, date	Recommendations
<i>Defense Inventory: Air Force Needs to Improve Control Of Shipments to Repair Contractors</i> (GAO-02-617, July 1, 2002)	<p>To improve the control of inventory being shipped, GAO recommended that the Secretary of Defense direct the Secretary of the Air Force to undertake the following: Improve processes for providing contractor access to government-furnished material by:</p> <p>Revise Air Force supply procedures to include explicit responsibility and accountability for:</p> <ul style="list-style-type: none"> <li>(1) Listing specific stock numbers and quantities of material in repair contracts (as they are modified or newly written) that the inventory control points have agreed to furnish to contractors.</li> <li>(2) Demonstrating that automated internal control systems for loading and screening stock numbers and quantities against contractor requisitions perform as designed.</li> <li>(3) Loading stock numbers and quantities that the inventory control points have agreed to furnish to contractors into the control systems manually until the automated systems have been shown to perform as designed.</li> <li>(4) Requiring that waivers to loading stock numbers and quantities manually are adequately justified and documented based on cost-effective and/or mission-critical needs.</li> <li>(5) Generating quarterly reports of all shipments of Air Force material to contractors.</li> <li>(6) Distributing the reports to Defense Contract Management Agency property administrators.</li> <li>(7) Determine, for the contractors in our review, what actions are needed to correct problems in posting material receipts.</li> <li>(8) Determine, for the contractors in our review, what actions are needed to correct problems in reporting shipment discrepancies.</li> <li>(9) Establish interim procedures to reconcile records of material shipped to contractors with records of material received by them, until the Air Force completes the transition to its Commercial Asset Visibility system in fiscal year 2004.</li> <li>(10) Comply with existing procedures to request, collect, and analyze contractor shipment discrepancy data to reduce the vulnerability of shipped inventory to undetected loss, misplacement, or theft.</li> </ul>
<i>Defense Inventory: Control Weaknesses Leave Restricted and Hazardous Excess Property Vulnerable to Improper Use, Loss, and Theft</i> (GAO-02-75, January 25, 2002)	<p>For all programs, GAO recommended that the Secretary of Defense direct the Director of the Defense Logistics Agency to take the following actions:</p> <ul style="list-style-type: none"> <li>(1) As part of the department's redesign of its activity code database, establish codes that identify the type of excess property—by federal supply class—and the quantity that each special program is eligible to obtain and provide accountable program officers access to appropriate information to identify any inconsistencies between what was approved and what was received.</li> <li>(2) Reiterate policy stressing that Defense reutilization facility staff must notify special program officials of the specific tracking and handling requirements of hazardous items and items with military technology/applications.</li> </ul>

**Appendix I  
Supply Chain Management: Summary of GAO  
Report Recommendations**

<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
Inventory management	Process	Concurred, closed, implemented
	Process	Nonconcurrent, closed, not implemented
	Process	Partially concurred, closed, not implemented
	Process	Partially concurred, closed, implemented
	Process	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Process	Concurred, closed, not implemented
	Process	Concurred, closed, not implemented
	Process	Concurred, closed, implemented
	Management oversight	Partially concurred, closed, not implemented
Inventory management	Process	Partially concurred, closed, implemented
	Management oversight	Concurred, closed, implemented

**Appendix I  
Supply Chain Management: Summary of GAO  
Report Recommendations**

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Report title, number, date	Recommendations
	GAO also recommended that the Secretary of Defense ensure that accountable program officers within the department verify, prior to approving the issuance of excess property, the eligibility of special programs to obtain specific types and amounts of property, including items that are hazardous or have military technology/applications. This could be accomplished, in part, through the department's ongoing redesign of its activity code database.
For each individual program, GAO further recommended the following:	<p>(1) With regard to the 12th Congressional Regional Equipment Center, that the Secretary of Defense direct the Director of the Defense Logistics Agency to review and amend, as necessary, its agreement with the Center in the following areas:</p> <p>(a) The Center's financial responsibility for the cost of shipping excess property obtained under the experimental project,</p> <p>(b) The ancillary items the Center is eligible to receive,</p> <p>(c) The rules concerning the sale of property and procedures for the Center to notify the Agency of all proposed sales of excess property,</p> <p>(d) The Center's responsibility for tracking items having military technology/application and hazardous items, and</p> <p>(e) The need for Agency approval of the Center's orders for excess property.</p> <p>(2) With regard to the Army, the Navy, and the Air Force Military Affiliate Radio Systems, GAO recommended that the Secretary of Defense direct the Chairman of the Joint Chiefs of Staff to have the Joint Staff Directorate for Command, Control, Communications, and Computer Systems review which items these systems are eligible to receive, on the basis of their mission and needs, and direct each of the Military Affiliate Radio Systems to accurately track excess property, including pilferable items, items with military technology/ applications, and hazardous items.</p> <p>(3) With regard to the Civil Air Patrol, GAO recommended that the Secretary of Defense direct the Secretary of the Air Force to have the Civil Air Patrol-Air Force review which items the Patrol is eligible to receive, on the basis of its mission and needs, and direct the Patrol to accurately track its excess property, including pilferable items, items with military technology/applications, and hazardous items.</p>

**Appendix I**  
**Supply Chain Management: Summary of GAO**  
**Report Recommendations**

Focus area	Theme	Status of recommendations
	Process	Partially concurred, closed, implemented
	Policy	Concurred, closed, implemented
	Policy	Concurred, closed, implemented
	Policy	Concurred, closed, implemented
	Policy	Concurred, closed, implemented
	Policy	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Process	Concurred, open

**Appendix I**  
**Supply Chain Management: Summary of GAO**  
**Report Recommendations**

(Continued From Previous Page)

Report title, number, date	Recommendations	
<i>Defense Logistics: Strategic Planning Weaknesses Leave Economy, Efficiency, and Effectiveness of Future Support Systems at Risk</i> (GAO-02-106, October 11, 2001)	To provide the military services, the Defense Logistics Agency, and the U.S. Transportation Command with a framework for developing a departmentwide approach to logistics reengineering, GAO recommended that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology, and Logistics to revise the departmentwide Logistics Strategic Plan to provide for an overarching logistics strategy that will guide the components' logistics planning efforts. Among other things, this logistics strategy should:	<p>(1) Specify a comprehensive approach that addresses the logistics life-cycle process from acquisition through support and system disposal, including the manner in which logistics is to be considered in the system and equipment acquisition process and how key support activities such as procurement, transportation, storage, maintenance, and disposal will be accomplished.</p> <p>(2) Identify the logistics requirements the department will have to fulfill, how it will be organized to fulfill these requirements, and who will be responsible for providing specific types of logistics support.</p> <p>(3) Identify the numbers and types of logistics facilities and personnel the department will need to support future logistics requirements.</p> <p>(4) GAO also recommended that the Under Secretary of Defense for Acquisition, Technology, and Logistics establish a mechanism for monitoring the extent to which the components are implementing the department's Logistics Strategic Plan. Specifically, the Under Secretary of Defense for Acquisition, Technology, and Logistics should monitor the extent to which the components' implementation plans are (a) consistent with the departmentwide plan, (b) directly related to the departmentwide plan and to each other, and (c) contain appropriate key management elements, such as performance measures and specific milestones.</p>

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**Appendix I**  
**Supply Chain Management: Summary of GAO**  
**Report Recommendations**

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<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
Other: Strategic	Planning	Concurred, closed, implemented
	Planning	Concurred, closed, implemented
	Planning	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented

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Source: GAO.

# Supply Chain Management: Summary of DOD-IG Report Recommendations

Report title, number, date	Recommendations	
Logistics: Defense Logistics Agency Processing of Special Program Requirements (D-2005-020, November 17, 2004)	The Director, Defense Logistics Agency should:	Prepare quarterly statistic reports quantifying the cost effectiveness of the special program requirement initiative to reduce or cancel procurement actions by the use of adjusted buy-back rates, segregated by Defense Supply Centers.
Logistics: Navy Controls Over Materiel Sent to Defense Reutilization and Marketing Offices (D-2004-095, June 24, 2004)	1.(A) The Commander, Naval Supply Systems Command should establish controls to ensure that Navy organizations comply with Naval Supply Command Publication P-485, "Ashore Policy," June 1998, requirements to:	<p>A.1. Transmit shipment notification transactions to the Defense Reutilization and Marketing Service when materiel is shipped to the Defense Reutilization and Marketing Office and ensure the data in the shipment notification are accurate.</p> <p>A.2. Review and research Defense Reutilization and Marketing Service follow-up transactions for materiel reported as shipped but not received, and respond to the Defense Reutilization and Marketing Service follow-up transactions in a timely manner.</p>
	1.(B-D) The Commander, Naval Supply Systems Command should:	<p>B. Establish controls to ensure that Navy organizations either demilitarize materiel or provide demilitarization instructions to the Defense Logistics Agency Depots, prior to requesting the depot ship materiel to disposal, and respond to depot requests for demilitarization instructions in a timely manner.</p> <p>C. Validate that the Realtime Reutilization Asset Management Program Office reprograms its computer system to ensure that disposal shipment notifications, rather than disposal shipment confirmations, are sent to Defense Reutilization and Marketing Service for disposal shipments.</p> <p>D. Request that the Defense Reutilization and Marketing Service provide management reports which identify Navy organizations that are not responding to disposal follow-up transactions for materiel reported as shipped but not received and that are not sending disposal shipment notifications for materiel shipped to disposal.</p>



**Appendix II  
Supply Chain Management: Summary of  
DOD-IG Report Recommendations**

<b>Focus area</b>	<b>Theme</b>	<b>Status Of Recommendations</b>
Inventory management	Management oversight	Partially concurred, open
Inventory management	Management oversight	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Management oversight	Concurred, open
	Management oversight	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented

**Appendix II**  
**Supply Chain Management: Summary of**  
**DOD-IG Report Recommendations**

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<b>Report title, number, date</b>	<b>Recommendations</b>	
	2. The Director, Defense Logistics Agency should:	<p>A. Establish controls to ensure that Defense Distribution Depot personnel request the required demilitarization instructions for all materiel awaiting disposal instructions and reverse the disposal transactions if the required instructions are not received.</p> <p>B. Establish controls to ensure that the Defense Reutilization and Marketing Service reviews and analyzes management data to identify Navy organizations that are not routinely preparing shipment disposal notifications or are not routinely responding to follow-up transactions and identify to the Naval Supply Systems Command potential problems with data in the in-transit control system in order for the Naval Supply Systems Command to ensure that Navy organizations comply with disposal procedures.</p>
Logistics: Accountability and Control of Materiel at the Marine Corps Logistics Base Albany, Georgia (D-2004-077, April 29, 2004)	The Commanding General, Marine Corps Logistics Command should:	<p>1. Identify all excess materiel and return the materiel to the supply system, as required by Marine Corps Order P4400.151B, "Intermediate-Level Supply Management Policy Manual," July 9, 1992.</p> <p>2. Perform physical inventories of all materiel in all storage locations and adjust inventory records accordingly.</p>
Logistics: Defense Logistics Agency Cost to Maintain Inactive National Stock Numbers Items (D-2004-024, November 19, 2003)	The Director, Defense Logistics Agency should:	<p>1. Reevaluate the cost categories for determining the average annual cost for maintaining an inactive national stock number item in the Defense Logistics Agency supply system and recalculate the average annual cost consistent with other pricing and cost methodologies.</p> <p>2. Discontinue application of the draft Defense Logistics Agency Office of Operations Research and Resource Analysis report, "Cost of a DLA Maintained Inactive National Stock Number," July 2002, to any authorized programs of DOD or the Defense Logistics Agency until all applicable cost categories are fully evaluated and the applicable costs of those relevant categories are incorporated into the cost study.</p>

**Appendix II**  
**Supply Chain Management: Summary of**  
**DOD-IG Report Recommendations**

<b>Focus area</b>	<b>Theme</b>	<b>Status Of Recommendations</b>
	Management oversight	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
Inventory management	Process	Concurred, closed, implemented
	Process	Concurred, closed, implemented
Inventory management	Process	Partially concurred, closed, implemented
	Process	Concurred, closed, implemented

**Appendix II**  
**Supply Chain Management: Summary of**  
**DOD-IG Report Recommendations**

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<b>Report title, number, date</b>	<b>Recommendations</b>	
Logistics: Defense Logistics Agency Processing of Other Nonrecurring Requirements (D-2004-018, November 7, 2003)	1. The Director, Defense Logistics Agency should revise Defense Logistics Agency Manual 4140.2, Volume II, "Defense Operations Manual, Defense Supply Center, Supply Operating Procedures," April 2002, to specifically:	<p>A. Identify the circumstances or conditions under which other nonrecurring requirements are authorized for processing.</p> <p>B. Identify the requirements for documenting the methodology and rationale for using other nonrecurring requirement transactions.</p> <p>C. Establish requirements for identifying the supply center personnel who enter other nonrecurring requirements in the Defense Logistics Agency supply system and retaining other nonrecurring requirement records after the support dates have passed.</p>
	2. The Director, Defense Logistics Agency should:	Establish a timeline for the Defense supply centers to validate outstanding other nonrecurring requirement transactions in the Defense Logistics Agency supply system. Other nonrecurring requirement transactions that do not have sufficient supporting documentation or that cannot be validated should be canceled or reduced and reported to the Defense Logistics Agency. The report should include the total number of other nonrecurring requirement transactions that were deleted and the dollar value of procurement actions that were canceled as a result.
Logistics: Accountability and Control of Materiel at the Ogden Air Logistics Center (D-2003-130, September 5, 2003)	The Commander, Ogden Air Logistics Center should immediately:	<p>1. Comply with the guidance in Air Force Manual 23-110, "U.S. Air Force Supply Manual," and Air Force Materiel Command Instruction 21-130, "Equipment Maintenance Materiel Control," regarding the management of maintenance materiel stored at the Air Logistics Center.</p> <p>2. Perform an annual physical inventory of all materiel recorded in the D035K Wholesale and Retail and Shipping System that is the responsibility of the Maintenance Directorate, reconcile the results, and turn in excess materiel to supply.</p> <p>3. Perform a physical count of all materiel located on the maintenance shop floors and in storage areas to identify unaccountable and excess materiel, reconcile the physical count to the D035K Wholesale and Retail and Shipping System, and turn in excess materiel to supply.</p> <p>4. Complete the review of courtesy storage materiel listed in the materiel processing system and either turn in the excess to supply, move to the D035K Wholesale and Retail and Shipping System, or dispose of the materiel.</p>

**Appendix II  
Supply Chain Management: Summary of  
DOD-IG Report Recommendations**

<b>Focus area</b>	<b>Theme</b>	<b>Status Of Recommendations</b>
Requirements forecasting	Policy	Partially concurred, closed, implemented
	Policy	Partially concurred, closed, implemented
	Policy	Partially concurred, closed, implemented
	Management oversight	Partially concurred, closed, implemented
Inventory management	Management oversight	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Process	Concurred, closed, implemented

**Appendix II  
Supply Chain Management: Summary of  
DOD-IG Report Recommendations**

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Report title, number, date	Recommendations	
Logistics: Follow-up Audit of Depot-Level Repairable Assets at Selected Army and Navy Organizations (D-2003-098, June 5, 2003)	1. The Commander, Army Materiel Command should:	A. Expedite funding and the deployment of the Commercial Asset Visibility system to Army commercial repair facilities. Funding and deployment should be prioritized based primarily on the dollar value of repairable assets at the commercial repair facilities.
		B. Perform oversight of compliance with DoD 4000.25-2-M, "Military Standard Transaction Reporting and Accounting Procedures," March 28, 2002, to conduct annual location reconciliations between inventory control point records and storage depot records.
	2. The Commander, Communications-Electronics Command should:	A. Determine whether the items with inventory records that were adjusted as a result of the October 2002 reconciliation between the Communications-Electronics Command and the Defense Depot Tobyhanna Pennsylvania are obsolete or excess to requirements. That determination should be made before requesting special inventories or performing other costly causative research procedures.
		B. Dispose of those assets that are identified as obsolete or excess to projected requirements.
	3. The Commander, Naval Inventory Control Point should:	A. Develop in-house procedures to provide management information reports to the inventory accuracy officer, comparable to the management information reports required in the February 2003 contract awarded to Resources Consultant Incorporated, to assist in reducing in-transit inventory.
		B. Establish controls to ensure that all in-transit items that meet the criteria in Naval Supply Systems Command Publication 723, "Navy Inventory Integrity Procedures," April 19, 2000, are reviewed prior to writing them off as an inventory loss.
Logistics: Accountability and Control of Materiel at the Warner Robins Air Logistics Center (D-2003-064, March 20, 2003)	The Commander, Warner Robins Air Logistics Center should immediately:	1. Comply with Air Force guidance regarding the management of maintenance materiel stored at the Air Logistics Center.
		2. Issue guidance regarding materiel management reports for management review.
		3. Perform an annual physical inventory of all materiel recorded in the D035K Wholesale and Retail and Shipping System that is the responsibility of the Maintenance Directorate, reconcile the results, and turn in excess materiel to supply.
		4. Perform a physical count of all materiel located on the maintenance shop floors and in storerooms, reconcile the physical count to the D035K Wholesale and Retail and Shipping System, and turn in excess materiel to supply.

**Appendix II  
Supply Chain Management: Summary of  
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<b>Focus area</b>	<b>Theme</b>	<b>Status Of Recommendations</b>
Inventory management	Process	Concurred, open
	Management oversight	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Process	Concurred, open
	Process	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
Inventory management	Management oversight	Concurred, closed, implemented
	Policy	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Process	Concurred, closed, implemented

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Supply Chain Management: Summary of  
DOD-IG Report Recommendations**

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Report title, number, date	Recommendations
Logistics: Accountability and Control of Materiel at the Naval Air Depot, Jacksonville (D-2003-057, March 5, 2003)	<p>5. Update or complete Air Force Materiel Command Form 100 for each line of floating stock and spares inventory. Submit to the floating stock and spares monitor for processing those forms in which the authorization level changes.</p> <p>6. Perform semi-annual reviews of materiel stored in the courtesy storage area and turn in excess materiel to supply.</p> <p>7. Perform quarterly reviews of bench stock materiel in the Low Altitude Navigation and Targeting Infrared for Night shop of the Avionics Division and turn in excess materiel to supply.</p> <p>1. The Commander, Naval Air Systems Command should:</p> <p>A. Enforce the requirements of Naval Air Systems Command Instruction 4400.5A to identify excess materiel that has been inactive for more than 270 days for routine use materiel and 12 months for long lead-time or low demand materiel.</p> <p>B. Require quarterly reporting of excess of materiel at Naval Air Depots to ensure excess materiel does not accumulate.</p> <p>C. Develop policy for point of use inventory.</p>
Supply Inventory Management: Accountability and Control of Materiel at the Naval Air Depot, North Island (D-2003-033, December 6, 2002)	<p>2. The Commander, Naval Air Depot, Jacksonville should:</p> <p>A. Perform physical inventories of materiel stored in all storage locations and adjust inventory records accordingly.</p> <p>B. Perform the required quarterly reviews of materiel stored in maintenance storerooms to determine whether valid requirements exist for the materiel.</p> <p>C. Identify all excess materiel stored in maintenance storerooms and return the materiel to the supply system.</p> <p>1. The Commander, Naval Air Systems Command should ensure that the Naval Air Depot, North Island should:</p> <p>A. Comply with Navy guidance regarding the storage of maintenance materiel at the depot, performance of quarterly reviews of maintenance materiel on hand, and submission of management reports for review.</p> <p>B. Develop and implement an effective management control program.</p> <p>2. The Commander, Naval Air Depot, North Island should immediately:</p> <p>A. Inventory materiel stored in work center storerooms, record all of the on-hand materiel on accountable records, identify the materiel for which a valid need exists, and return the items with no known requirement to the supply system.</p> <p>B. Review jobs at closeout to determine whether a need exists for leftover materiel. Leftover, unneeded materiel should be made visible to item managers and disposed of in a timely manner.</p> <p>C. Perform the required quarterly reviews of materiel stored in work center storerooms to determine whether valid requirements exist for the materiel.</p>



**Appendix II  
Supply Chain Management: Summary of  
DOD-IG Report Recommendations**

<b>Focus area</b>	<b>Theme</b>	<b>Status Of Recommendations</b>
	Process	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
Inventory management	Management oversight	Concurred, closed, implemented
	Management oversight	Concurred, open
	Policy	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
	Process	Concurred, open
Inventory management	Management oversight	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented

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Report title, number, date	Recommendations
Supply Inventory Management: Defense Logistics Agency Managed Items Supporting Air Force Weapon Systems (D-2002-149, September 18, 2002)	<p>D. Perform physical inventories of materiel stored in all storage locations and adjust inventory records accordingly.</p> <p>1. The Director, Defense Logistics Agency should establish controls to ensure that national stock number items supporting current weapon systems are not deleted from the supply system. Those controls should include procedures to:</p> <p>A. Comply with the Defense Logistics Agency Manual 4140.2 requirement that Defense Logistics Agency item managers contact the supply center monitor for the weapon system support program to coordinate the deletion of the code that identifies the national stock number item as a weapon system item.</p> <p>B. Comply with the Defense Logistics Agency Manual 4140.3 requirement that the supply center monitor for the weapon system support program notify the Military Departments when a national stock number item supporting a weapon system is to be deleted from the supply system as a result of the Defense Inactive Item Program process.</p>
	2. The Director, Defense Logistics Agency, in coordination with the Air Force, should:
	<p>3. The Commander, Air Force Materiel Command should:</p> <p>A. Review the revised procedures for processing Defense Inactive Item Program transactions when the FY 2002 process is complete to ensure the procedures are working as intended and that inactive item review notifications are being promptly returned to the Defense Logistics Agency.</p> <p>B. Establish controls to ensure that inactive item review notifications are reviewed by the user and are returned to the Defense Logistics Agency before an automatic retain notification is provided to the Defense Logistics Agency.</p> <p>C. Establish controls to review Defense Logistics Agency transactions deleting national stock numbers from Air Force systems so that the inappropriate deletion of required data from the Air Force supply system is prevented.</p>
Supply Inventory Management: Defense Logistics Agency Aviation Investment Strategy Program (D-2002-136, July 31, 2002)	<p>1. The Director, Defense Logistics Agency should direct the Defense Supply Center Richmond to revise the Aviation Investment Strategy implementation plan to more fully express how the program execution process should be accomplished to ensure appropriate additive investments. Specifically, the plan should:</p> <p>A. Describe the factors to be used by the Military Departments and supply centers to evaluate the validity of potential candidates for additive investment.</p> <p>B. Require that additive safety level requirements be based on consistent and up-to-date supply availability data.</p> <p>C. Require regular reviews to determine whether additive safety levels continue to be appropriate. Establish a frequency for when and how often reviews should be made and the criteria for making necessary safety level adjustments and reinvesting funds.</p> <p>D. Establish a method for maintaining safety level increases that adheres to the DoD safety level limitation while recognizing and adjusting to changes in the supply system.</p>

**Appendix II  
Supply Chain Management: Summary of  
DOD-IG Report Recommendations**

<b>Focus area</b>	<b>Theme</b>	<b>Status Of Recommendations</b>
	Process	Concurred, closed, implemented
Inventory management	Management oversight	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
	Planning	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
Inventory management	Planning	Concurred, closed, implemented
	Planning	Partially concurred, closed, implemented
	Planning	Concurred, closed, implemented
	Planning	Concurred, closed, implemented

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**Supply Chain Management: Summary of**  
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Report title, number, date	Recommendations	
		E. Establish a time frame for continuous program evaluation and a resolution process that includes a flag or general officer from each Military Department whenever problem elevation is needed.
	2. The Director, Defense Logistics Agency should:	Approve and coordinate with the Military Departments the revised implementation plan.
Supply Inventory Management: Terminal Items Managed by the Defense Logistics Agency for the Navy (D-2002-131, July 22, 2002)	1. The Director, Defense Logistics Agency should:	A. Revise Defense Logistics Agency Manual 4140.2, "Supply Operations Manual," July 1, 1999, to include terminal national stock number items with registered users in the Defense Inactive Item Program.
		B. Maintain and report statistics on how many terminal national stock number items are deleted from the supply system after the North Atlantic Treaty Organization and foreign governments review the items.
	2. The Commander, Naval Supply Systems Command should:	Establish controls to ensure that the Navy is removed as a registered user of Defense Logistics Agency-managed national stock number items that are no longer required.
Supply Inventory management: Industrial Prime Vendor Program at the Air Force Air Logistics Centers (D-2002-112, June 20, 2002)	A.1. The Commander, Defense Supply Center Philadelphia should require Industrial Prime Vendor Program officials to:	A. Discontinue the use of the market basket approach to determine which bench-stock items are placed on the industrial prime vendor contract. Instead, evaluate each item separately and select the most economical source to supply material.
		B. Review inventory levels and discontinue placing items on the industrial prime vendor contract with more than 3 years of inventory.
		C. Take appropriate action in accordance with contract terms to remove items with more than 3 years of inventory and start using existing depot inventories as the first choice to fill contract demand.
	A.2. The Director, Defense Logistics Agency should:	Convene a performance improvement team composed of representatives from all relevant stakeholders, including appropriate oversight agencies, to plan and execute a reengineered best value approach to manage bench-stock material for all customers that addresses competition and restriction on contract bundling.
	B. The Commander, Defense Supply Center Philadelphia should:	1. Implement procedures to ensure that future spot buy material procurements are priced and paid for in accordance with the terms of the contract.
		2. Obtain a full refund from the Science Application International Corporation for erroneous charges, including lost interest, and take appropriate steps to reimburse the air logistics centers for the full amount of the contract overcharges.

**Appendix II**  
**Supply Chain Management: Summary of**  
**DOD-IG Report Recommendations**

<b>Focus area</b>	<b>Theme</b>	<b>Status Of Recommendations</b>
	Planning	Concurred, closed, implemented
	Planning	Concurred, closed, implemented
Inventory management	Policy	Nonconcurred, open
	Management oversight	Nonconcurred, closed, implemented
	Management oversight	Concurred, closed, implemented
Inventory management	Process	Partially concurred, closed, implemented
	Process	Partially concurred, closed, implemented
	Process	Partially concurred, closed, implemented
	Planning	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Process	Concurred, closed, implemented

**Appendix II**  
**Supply Chain Management: Summary of**  
**DOD-IG Report Recommendations**

*(Continued From Previous Page)*

<b>Report title, number, date</b>	<b>Recommendations</b>	
Supply Inventory Management: Accountability and Control of Materiel at the Corpus Christi Army Depot (D-2002-091, May 21, 2002)	1. The Commander, Aviation and Missile Command should:	Direct the Corpus Christi Army Depot to comply with Army guidance regarding the storage of maintenance materiel at the depot and the preparation and submission of management reports for review.
	2. (A-F) The Commander, Corpus Christi Army Depot should immediately:	<p>A. Price the materiel stored in the Automated Storage and Retrieval System that has no extended dollar value or that has been added to the physical inventory, and identify the value of inventory excess to prevailing requirements.</p> <p>B. Inventory materiel stored in work centers on the maintenance shop floors, record the materiel on accountable records, identify the materiel for which a valid need exists, and turn in or transfer to other programs excess materiel.</p> <p>C. Perform an annual physical inventory of all of the materiel stored in the Automated Storage and Retrieval System.</p> <p>D. Perform the required quarterly reviews of materiel stored in the Automated Storage and Retrieval System to determine if valid requirements exist for the stored materiel.</p> <p>E. Review projects at the 50-percent, 75-percent, and 90-percent completion stages to determine if a need exists for materiel in storage.</p> <p>F. Perform a reconciliation between the Automated Storage and Retrieval System and Maintenance Shop Floor System files, at a minimum monthly, to determine if files are accurate. A physical inventory should be performed to correct any deficiencies.</p>
	2. (G) The Commander, Corpus Christi Army Depot should immediately prepare and submit the following report to management for review:	<p>1. A monthly total dollar value for materiel stored in the Automated Storage and Retrieval System.</p> <p>2. Items stored in the Automated Storage and Retrieval System with no demand in the last 180 days.</p> <p>3. Materiel stored in the Automated Storage and Retrieval System against closed program control numbers.</p> <p>4. Materiel stored against overhead program control numbers.</p> <p>5. Potential excess materiel by program control number.</p>
Logistics: Delivery and Receipt of DOD Cargo Inbound to the Republic of Korea (D-2002-079, April 5, 2002)	A. The Commander, U.S. Forces Korea should:	1. Establish guidance for delivery of cargo from ports of debarkation within the theater using Uniform Materiel Movement and Issue Priority System standards or U.S. Forces Korea supplemental standards to the Uniform Materiel Movement and Issue Priority System criteria more applicable to theater requirements.

**Appendix II  
Supply Chain Management: Summary of  
DOD-IG Report Recommendations**

<b>Focus area</b>	<b>Theme</b>	<b>Status Of Recommendations</b>
Inventory management	Management oversight	Concurred, closed, implemented
	Process	Concurred, open
	Process	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
	Management oversight	Partially concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
Material distribution	Policy	Concurred, open

**Appendix II  
Supply Chain Management: Summary of  
DOD-IG Report Recommendations**

*(Continued From Previous Page)*

Report title, number, date	Recommendations
	<ol style="list-style-type: none"> <li>2. Establish procedures for using and maintaining documentation that provides evidence of delivery times and the accuracy of the delivered cargo.</li> <li>3. Prepare or amend commercial carrier contracts that contain delivery provisions for weekend and holiday deliveries, and penalties for nonperformance compliance with the standards established by the provisions of Recommendation A.1.</li> <li>4. Establish procedures to ensure that the priority of the cargo to be delivered from a port of debarkation is matched with a commercial carrier contract that has the necessary provisions that will ensure delivery within the standards established by Recommendation A.1.</li> <li>5. Establish procedures, metrics, and surveillance plans that will monitor and ensure carrier performance of contract specifications and reconcile movement control documents received from commercial carriers to ensure consignees received prompt and accurate delivery of all cargo.</li> </ol>
	<p>B. The Commander, U.S. Forces Korea should revise U.S. Forces Korea Regulation 55-355 to require:</p> <ol style="list-style-type: none"> <li>1. Supply Support Activities to maintain dated and signed truck manifests and pickup sheets to confirm receipt.</li> <li>2. Supply Support Activities immediately contact end users for pickup of high priority cargo within the same day the cargo is made available for end user.</li> </ol>
<p>Supply Inventory Management: Management of Terminal Items at the Defense Logistics Agency (D-2002-060, March 13, 2002)</p>	<p>The Director, Defense Logistics Agency should:</p> <ol style="list-style-type: none"> <li>1. Revise Defense Logistics Agency Manual 4140.2, "Supply Operations Manual," July 1, 1999, to include terminal national stock number items with no registered users in the Defense Inactive Item Program last user withdrawn process.</li> </ol>
	<ol style="list-style-type: none"> <li>2. Maintain and report statistics on how many terminal national stock number items are deleted from the supply system after the North Atlantic Treaty Organization and foreign governments review the items.</li> </ol>
<p>Information Technology: Effectiveness of the Joint Total Asset Visibility Program (D-2002-057, March 11, 2002)</p>	<p>The Deputy Under Secretary of Defense (Logistics and Materiel Readiness) should:</p> <p>Ensure that the Joint Total Asset Visibility Program is funded until sufficient operational capabilities of the Global Combat Support System have been fielded and can provide capabilities that are at least equivalent to the existing Joint Total Asset Visibility Program.</p>



**Appendix II  
Supply Chain Management: Summary of  
DOD-IG Report Recommendations**

<b>Focus area</b>	<b>Theme</b>	<b>Status Of Recommendations</b>
	Process	Concurred, open
	Process	Concurred, open
	Process	Concurred, closed, implemented
	Performance tracking	Concurred, closed, implemented
	Policy	Concurred, closed, implemented
	Policy	Concurred, closed, implemented
Inventory management	Policy	Concurred, open
	Management oversight	Nonconcurrent, open
Asset visibility	Management oversight	Concurred, closed, implemented

**Appendix II**  
**Supply Chain Management: Summary of**  
**DOD-IG Report Recommendations**

*(Continued From Previous Page)*

<b>Report title, number, date</b>	<b>Recommendations</b>	
Government Performance and Results Act: Performance Measure for DOD Total Asset Visibility (D-2002-016, November 21, 2001)	The Deputy Under Secretary of Defense (Logistics and Materiel Readiness) should:	<ol style="list-style-type: none"> <li>1. Evaluate the usefulness of the DoD Total Asset Visibility performance measure.</li> <li>2. Issue specific, written, performance measure guidance that standardizes and clarifies the required data elements for the Total Asset Visibility measure consistent with the evaluation of the usefulness of the measure.</li> <li>3. Establish and institutionalize a process to evaluate and verify data submitted by DoD Components for the Total Asset Visibility performance measure, consistent with the evaluation of the usefulness of the measure.</li> </ol>
Accountability and Control of Materiel at the Tobyhanna Army Depot (D-2002-003, October 4, 2001)	A.1. The Army Deputy Chief of Staff for Logistics should:	Reassess guidance regarding the 60-day storage and requisitioning of fabrication materiel at maintenance depots and revise Army Regulation 750-2. The guidance should state the following: <ul style="list-style-type: none"> <li>• the appropriate number of days depots should be allowed for storing and requisitioning fabrication materiel.</li> <li>• quarterly reviews should be performed to determine if materiel is still required.</li> </ul>

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**Appendix II**  
**Supply Chain Management: Summary of**  
**DOD-IG Report Recommendations**

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<b>Focus area</b>	<b>Theme</b>	<b>Status Of Recommendations</b>
Asset visibility	Management oversight	Concurred, closed, implemented
	Performance tracking	Concurred, closed, not implemented
	Process	Concurred, closed, not implemented
Inventory management	Policy	Concurred, closed, not implemented

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**Appendix II**  
**Supply Chain Management: Summary of**  
**DOD-IG Report Recommendations**

*(Continued From Previous Page)*

Report title, number, date	Recommendations
A.2. The Commander, Communications-Electronics Command should:	<p>Issue guidance regarding management of the Automated Storage and Retrieval System at Tobyhanna. The guidance should include the following:</p> <ul style="list-style-type: none"> <li>• all materiel stored in the Automated Storage and Retrieval System shall be, at a minimum, identified by owning cost center; national stock number/part number; program control number; quantity; acquisition source code; nomenclature; and condition code.</li> <li>• a review of any materiel with a date of last activity more than 6 months shall be performed.</li> <li>• an annual physical inventory of any materiel stored in the Automated Storage and Retrieval System shall be performed.</li> <li>• items stored in mission stocks must represent a bona fide potential requirement for performance of a maintenance or fabrication requirement.</li> <li>• availability of materiel from previously completed fabrication orders must be determined before placing new requisitions.</li> <li>• projects shall be reviewed at the 50 percent, 75 percent, and 90 percent completion stages to determine if a need exists for materiel still in storage.</li> <li>• reclaimed materiel, materiel removed from assets in maintenance, and work in process may be stored until reutilized on the maintenance program. Excess reclaimed materiel shall be turned in or transferred to a valid funded program.</li> <li>• materiel shall not be stored in Automated Storage and Retrieval System in an overhead account.</li> <li>• quarterly reviews shall be performed on materiel stored in the Automated Storage and Retrieval System to determine if requirements still exist.</li> <li>• prior to closing a depot maintenance program, any associated remaining repair parts, spares, and materiel on hand shall be transferred to an ongoing program or a program that will begin within 180 days or turned in to the installation supply support activity within 15 days. <ul style="list-style-type: none"> <li>•The gaining program must be funded, open, and valid.</li> <li>•The transferred materiel must be a bona fide potential requirement of the gaining program.</li> </ul> </li> </ul>

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**Appendix II**  
**Supply Chain Management: Summary of**  
**DOD-IG Report Recommendations**

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<b>Focus area</b>	<b>Theme</b>	<b>Status Of Recommendations</b>
	Policy	Concurred, closed, implemented

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**Appendix II**  
**Supply Chain Management: Summary of**  
**DOD-IG Report Recommendations**

*(Continued From Previous Page)*

Report title, number, date	Recommendations
<p>A.3. The Commander, Communications-Electronics Command should direct Tobyhanna to immediately:</p>	<p>a. Price the materiel stored in the Automated Storage and Retrieval System that has no extended dollar value or that has been added to the physical inventory, identify the value of inventory excess to prevailing requirements, and notify the Inspector General, DoD, of the corrected dollar value of the inventory and value of inventory excess to the requirements.</p> <p>b. Limit the storage of materiel in the Automated Storage and Retrieval System under overhead accounts. Specifically, remove materiel obtained from the Sacramento Air Logistic Center from the overhead account program control numbers.</p> <p>c. Record the Tactical Army Combat Computer System equipment on accountable records and inventory and turn in the computer equipment to the supply system because no requirement for the equipment exists at Tobyhanna.</p>
<p>B.1. The Commander, Communications-Electronics Command should:</p>	<p>Issue guidance regarding reports that should be submitted to management for review. The guidance should require the following reports:</p> <ul style="list-style-type: none"> <li>• an annual physical inventory of all materiel stored in Automated Storage and Retrieval System.</li> <li>• a reconciliation between the Automated Storage and Retrieval System and Maintenance Shop Floor System files, at a minimum monthly, to determine if files are accurate.</li> <li>• a physical inventory should be performed to correct any deficiencies. Reports should be prepared for management review.</li> <li>• a monthly total dollar value for materiel stored in the Automated Storage and Retrieval System.</li> <li>• items stored in the Automated Storage and Retrieval System with no demand in the last 180 days.</li> <li>• materiel stored in the Automated Storage and Retrieval System against closed program control numbers.</li> <li>• materiel stored against overhead program control numbers.</li> <li>• potential excess materiel by program control number.</li> </ul>
<p>B.2. The Commander, Communications-Electronics Command should:</p>	<p>Direct the Tobyhanna Army Depot to immediately perform a physical inventory and reconcile the Automated Storage and Retrieval System records with the Maintenance Shop Floor System records to verify the accuracy of inventory records and submit report for review.</p>

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**Appendix II**  
**Supply Chain Management: Summary of**  
**DOD-IG Report Recommendations**

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Focus area	Theme	Status Of Recommendations
	Process	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Policy	Concurred, closed, implemented
	Process	Concurred, closed, implemented

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Source: DOD-IG.

# Supply Chain Management: Summary of Army Audit Agency Report Recommendations

Report title, number, date	Recommendations	
Management of Army Prepositioned Stocks – U.S. Army Materiel Command (A-2006-0200-ALL, August 23, 2006)	For the Commander, U.S. Army Materiel Command	<p>A-1. Include placement of stocks (malpositioned) as part of the Army Pre-positioned Stocks program performance metrics. As a minimum:</p> <ul style="list-style-type: none"> <li>• clearly define malpositioned stocks and establish procedures for calculating the data to minimize inconsistency or data misrepresentation reported by the subordinate activities.</li> <li>• establish long-term goals for correcting the problems and annually monitor the progress in meeting the goals to ensure the situation doesn't deteriorate.</li> <li>• examine the feasibility of correcting the Web Logistics Integrated Database limitations and shortfalls identified within this report so the system can be used to produce reliable performance data.</li> </ul> <p>A-2. Improve shelf-life management controls and oversight. As a minimum:</p> <ul style="list-style-type: none"> <li>• develop stock rotation plans for items in long-term storage outside Continental U.S. or remove the items from outside Continental U.S. storage.</li> <li>• prepare an annual list of all Army Pre-positioned Stocks items due to expire within 12 and 24 months and have U.S. Army Field Support Command ensure stock rotation plans are adequate to minimize expired assets. Use the data to formulate funding requirements for test and inspection.</li> <li>• use critical data fields within information management systems to assist in shelf-life stock rotations. Require U.S. Army Field Support Command to monitor shelf-life data—such as dates of manufacture and expiration dates—provided by its Army Pre-positioned Stocks sites to ensure it is current and complete. Perform quarterly reconciliations.</li> <li>• include shelf-life management metrics as part of the Army Pre-positioned Stocks program performance assessment. Establish goals and develop methods to track and minimize the loss of items due to the expired shelf-life.</li> </ul>



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**Appendix III**  
**Supply Chain Management: Summary of Army**  
**Audit Agency Report Recommendations**

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<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
Inventory management	Performance tracking	Concurred, open
	Management oversight	Concurred, open

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**Appendix III  
Supply Chain Management: Summary of Army  
Audit Agency Report Recommendations**

*(Continued From Previous Page)*

Report title, number, date	Recommendations
	<p>A-3. Strengthen accountability controls and enhance data integrity, reliability, and visibility of pre-positioned stocks. Specifically:</p> <ul style="list-style-type: none"> <li>• require U.S. Army Communications-Electronics Life Cycle Management Command and U.S. Army Tank-automotive and Armaments Life Cycle Management Command to incorporate controls similar to U.S. Army Aviation and Missile Life Cycle Management Command that will identify and track unauthorized transactions—that is, situations where the ownership purpose code of an item was changed from a war reserve purpose code to a general issue code without first receiving approval from Army Pre-positioned Stocks personnel.</li> <li>• execute the required steps to place data associated with loan transactions onto the Army knowledge online account to facilitate oversight of loan transactions.</li> <li>• numerically sequence each approved request and use the number to cross-reference back to the approved request.</li> <li>• include all Open Army Pre-positioned Stocks loan transactions issued to item managers that weren't paid back as part of the Army Pre-positioned Stocks program performance assessment.</li> <li>• require U.S. Army Communications-Electronics Life Cycle Management Command and U.S. Army Tank-automotive and Armaments Life Cycle Management Command to track the paybacks by establishing a scheduled payback target date so they can be proactive in pursuing collections.</li> <li>• track inventory loss adjustment statistics as a potential source for benchmarking progress on reducing repetitive errors and identifying performance problems.</li> <li>• establish dollar values for supply class VII inventory adjustments in Logistics Modernization Program so loss adjustments meeting the causative research criteria are researched.</li> <li>• randomly sample 25 percent of the inventory loss adjustment transactions to verify the adjustments are supported by evidence of documented causative research and an adequate explanation is documented.</li> </ul>
	<p>A-4. Track Army Pre-positioned Stocks site weekly data reconciliations to evaluate performance and data reliability.</p>
Asset Visibility in Support of Operation Iraqi Freedom and Operation Enduring Freedom (A-2006-0188 ALL, August 11, 2006)	<p>For the Commander, 10<sup>th</sup> Mountain Division (Light Infantry)</p> <p>A-1. Provide unit commanders with a block of instructions that explain the process and importance of accurately accounting for assets and maintaining the property book.</p> <p>A-2. Establish a reminder system to notify gaining and losing units when equipment transfers occur.</p> <p>A-3. Develop and distribute guidance to operations personnel stressing the need to follow established procedures for accounting for assets and the importance of providing necessary documentation to property book officers.</p>

**Appendix III  
Supply Chain Management: Summary of Army  
Audit Agency Report Recommendations**

<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
	Process	Concurred, open
	Process	Concurred, closed, implemented
Asset visibility	Management oversight	Concurred, open
	Process	Concurred, closed, implemented
	Policy	Concurred, closed, implemented

**Appendix III  
Supply Chain Management: Summary of Army  
Audit Agency Report Recommendations**

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Report title, number, date	Recommendations
Procurement Lead Times US Army Aviation and Missile Life Cycle Management Command (A-2006-0156-ALR, July 17, 2006)	For the Commander, U.S. Army Aviation and Missile Life Cycle Management Command
Increasing Safety Levels for Spare Parts, Office of the Deputy Chief of Staff, G-4 (A-2006-0063-ALR, January 31, 2006)	For the Deputy Chief of Staff, G-4
Subsistence Prime Vendor Contract, Audit of Logistics Civil Augmentation Program (A-2006-0168-ALL, August 4, 2006)	For the Commander, Defense Supply Center Philadelphia

A-4. Research each discrepancy with equipment transfers and turn-in documents and make appropriate adjustments to the property book records for the 1st and 2nd BCTs. If the missing vehicles can't be located in a reasonable time period, initiate an AR 15-6 investigation and, if warranted, take further appropriate action.

B-1. Research the discrepancies we found with the 1st, 2nd, and 3rd BCT vehicles and make appropriate adjustments to the respective property books.

1. Require:
  - item managers to consider historical procurement data in the Master Data Record's Sector 10 when justifying values they enter for the Requirements System to use as representative estimates of procurement lead time.
  - integrated Materiel Management Center second-level supervisors to review and explicitly approve the procurement lead time values entered into the Master Data Record by item managers.

2. Require contract specialists to adhere to Army and Aviation and Missile Life Cycle Management Command guidance on considering the extent of delay in awarding procurements to vendors when justifying if a procurement should be identified as a representative estimate of a future procurement's administrative lead time.

A-1. Initiate DA staff action to withhold funding for increasing safety levels until Army Materiel Command develops test procedures and identifies key performance indicators to measure and assess the cost-effectiveness and impact on operational readiness.

1. Monitor the contractor's progress to ensure the contractor completes the reorganization of the bulk storage warehouses with a location grid plan and subsequent warehousing of operational rations with specific location areas in the warehouses. Then ensure contractor records updated locations of these rations in the warehouse management system database to ensure physical location of products match the database.

2. Complete and implement the software change package to ensure operational rations containing more than one national stock number are allocated from inventory based on the first-to-expire inventory method.

**Appendix III  
Supply Chain Management: Summary of Army  
Audit Agency Report Recommendations**

<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
	Process	Concurred, open
	Process	Concurred, open
Inventory management	Management oversight	Concurred, open
	Management oversight	Concurred, open
Inventory management	Performance tracking	Concurred, open
Inventory management	Management oversight	Concurred, closed, implemented
	Process	Concurred, closed, implemented

**Appendix III  
Supply Chain Management: Summary of Army  
Audit Agency Report Recommendations**

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Report title, number, date	Recommendations
	<p>3. Develop and implement guidance for the contractor regarding the requirements for the destruction of government-owned operational rations which have been deemed unfit for human consumption. Require the contracting officer representative to certify the destruction certification package only when adequate documentation is attached to support the operational rations being destroyed. Also, require the contracting officer representative to ensure products are destroyed in a reasonable time frame after the Army Veterinarians recommend destruction of the products. If Implemented, this recommendation should result in monetary savings to the government.</p>
	<p>4. Before shipping excess to theater, review the worldwide excess stock of operational rations and identify the expiration dates on products that may be considered for shipping to replenish operational ration stock in theater. Before shipping stock, coordinate with the Theater Food Advisor to ensure the products can be incorporated into the existing stock on hand and be effectively managed. Also, don't consider for shipment any products with less than 4-months' remaining shelf life unless the Army Veterinarians have inspected and extended the shelf life of the products. In such cases, ensure the documentation accompanies the shipments.</p>
	<p>5. Implement a Quality Assurance Surveillance Plan that encompasses all requirements of the prime vendor contract. Require the Administrative Contracting Officer and the contracting officer representative located at the prime vendor's location in Kuwait to monitor and document the contractor's performance using the Quality Assurance Surveillance Plan on a scheduled basis. Upon completion of each review, the Contracting Officer should review the results of the Quality Assurance Surveillance Plan and determine if any actions are required to correct the areas of concern.</p>
For the Commander, Defense Supply Center Philadelphia and for the Commander, Coalition Forces Land Component Command	<p>6. Require the Theater Food Advisor and Defense Supply Center Philadelphia to review the quantities of operational rations that are currently excess in the prime vendor's warehouses and ensure none of these products have orders placed until the excess quantities are projected to be depleted. If implemented, this recommendation will result in funds put to better use.</p>
For the Commander, Coalition Forces Land Component Command	<p>7. Require the Theater Food Advisor to periodically review the inventory of government-owned operational rations and ensure appropriate action is taken when products reach their expiration date but remain in the prime vendor's inventory. If implemented, this recommendation should result in monetary savings to the government.</p>

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**Appendix III**  
**Supply Chain Management: Summary of Army**  
**Audit Agency Report Recommendations**

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<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
	Policy	Concurred, open
	Process	Nonconcurrent, closed, implemented
	Planning	Concurred, open
	Management oversight	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented

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**Appendix III**  
**Supply Chain Management: Summary of Army**  
**Audit Agency Report Recommendations**

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Report title, number, date	Recommendations
Logistics Civil Augmentation Program, US Army Materiel Command (A-2006-0022-ALL, November 28, 2005)	<p>For the Commander, U.S. Army Field Support Command</p> <p>A-1. Ensure that the Defense Contract Audit Agency remains actively involved in monitoring the contractor's costs.</p>
	<p>For the Assistant Secretary of the Army (Acquisition, Logistics and Technology)</p> <p>B-1. Develop Army guidance for approving contract requirements for deployment operations to include acquisition approval thresholds, members of joint acquisition review boards, and documentation of board actions.</p>
	<p>For the Deputy Chief of Staff, G-4</p> <p>C-1. Establish guidance addressing how to transfer government property to contractors in the absence of a government property officer to conduct a joint inventory.</p> <p>C-2. Issue specific policy on (i) screening the contingency stocks at Fort Polk for possible use on current and future Logistics Civil Augmentation Program contracts, and (ii) returning commercial-type assets to the contingency stocks at Fort Polk after specific contract operations/task orders are completed.</p>
	<p>For the Commander, U.S. Army Field Support Command</p> <p>C-3. Update Army Materiel Command Pamphlet 700-30 to include specific procedures on:</p> <ul style="list-style-type: none"> <li>• screening the contingency stocks at Fort Polk for possible use on current and future Logistics Civil Augmentation Program contracts.</li> <li>• returning commercial-type assets to the contingency stocks at Fort Polk after contracts are completed.</li> <li>• disposing of obsolete or unusable property.</li> </ul>
	<p>For the Deputy Chief of Staff, G-4</p> <p>D-1. Include in an annex to AR 715-9 (Contractors Accompanying the Force) the key management controls related to Logistics Civil Augmentation Program, or specify another method for determining whether the management controls related to the program are in place and operating.</p>
Class IX Spare Parts-Operation Iraqi Freedom (A-2005-0250-ALE, August 15, 2005)	<p>For the Deputy Chief of Staff, G-4</p> <p>1. Authorized Stockage Lists (Inventory On-Hand): Army should issue a change to policy and update AR 710-2 to require forward distribution points in a deployed environment to hold review boards for authorized stockage lists when they deploy and no less often than quarterly thereafter. Require review boards to accept recommendations from dollar cost banding analyses or justify why not. Improvements needed to better meet supply parts demand.</p>
Aviation Assets Office of the Program Executive Officer, Aviation (A-2005-0240-ALW, August 9, 2005)	<p>For the Deputy Chief of Staff, G-4</p> <p>A-1. Develop policy and procedures for the program executive office community to follow to identify, declare, and return excess components to the Army supply system.</p> <p>A-2. Develop and issue guidance that states ownership of Army Working Capital Fund (AWCF) components that subordinate management offices possess and control through modification, conversion, and upgrade programs resides with the Army supply system.</p>



**Appendix III  
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<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
Inventory management	Management oversight	Concurred, closed, implemented
	Policy	Concurred, open
	Policy	Nonconcurrent, closed, not implemented
	Policy	Nonconcurrent, closed, not implemented
	Policy	Partially concurred, closed, not implemented
	Policy	Concurred, closed, implemented
Inventory management	Policy	Concurred, open
Inventory management	Policy	Concurred, open
	Policy	Concurred, open

**Appendix III  
Supply Chain Management: Summary of Army  
Audit Agency Report Recommendations**

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Report title, number, date	Recommendations
<p>Asset Visibility and Container Management-Operation Iraqi Freedom (A-2005-0197-ALE, July 5, 2005)</p>	<p>A-3. Make sure policy is clear on the responsibilities of program executive offices and their subordinate management offices in complying with established Army policy and procedures for asset accountability. Specifically, record and account for all Army assets in a standard Army system that interfaces with the Army system of accountability. As a minimum, make sure item managers:</p> <ul style="list-style-type: none"> <li>• have all transactions and information on acquisition, storage, and disposition of their assets.</li> <li>• are notified of any direct shipments so that the item managers can record the direct shipments to capture demand history for requirements determination.</li> </ul>
<p>For the Commanding General, U.S. Central Command</p>	<p>A-1. Construct permanent or semipermanent facilities in Kuwait and Iraq in locations where a continued presence is expected and that have a large number of containers being used for storage, force protection, and other requirements. For those locations where construction of permanent or semipermanent facilities isn't feasible, use government-owned containers to meet storage, force protection, and other requirements.</p> <p>A-2. Align the Theater Container Management Agency at the appropriate command level to give it the authority to direct and coordinate container management efforts throughout the Central Command area of responsibility.</p> <p>A-3. Direct the Theater Container Management Agency to develop and maintain a single theater container management database. Issue guidance that requires all activities in the area of responsibility to use this database for their container management.</p>
<p>For the Deputy Chief of Staff, G-4</p>	<p>A-4. Coordinate with Military Surface Deployment and Distribution Command to purchase commercial shipping containers in the Central Command area of responsibility that are currently accruing detention. In addition, discontinue use of the Universal Service Contract and only use government-owned containers or containers obtained under long-term leases for future shipment of equipment and supplies into the Central Command area of responsibility. Ensure any long-term lease agreements entered into include provisions to purchase the containers.</p> <p>A-5. Coordinate with Military Surface Deployment and Distribution Command to either get possession of the 917 government-owned containers still in the carriers' possession, obtain reimbursement from the carriers for the \$2.1 million purchase price of the containers, or negotiate with the carriers to reduce future detention bills by \$2.1 million.</p> <p>A-6. Coordinate with Military Surface Deployment and Distribution Command to reopen the 6-month review period under the post-payment audit clause to negotiate with commercial carriers to either obtain reimbursement of \$11.2 million for detention overcharges on the 29 February 2004 detention list, or negotiate with the carriers to reduce future detention bills by \$11.2 million.</p>

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Focus area	Theme	Status of recommendations
	Policy	Concurred, open
Asset visibility	Process	Concurred, open
	Management oversight	Concurred, closed, implemented
	Policy	Concurred, closed, implemented
	Process	Concurred, open
	Process	Concurred, closed, implemented
	Process	Concurred, open

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Report title, number, date	Recommendations
	<p>For the Commanding General, Military Surface Deployment and Distribution Command</p> <p>A-7. Perform either a 100-percent review of future detention bills or use statistical sampling techniques to review carrier bills prior to payment.</p>
	<p>For the Commander, Coalition Forces Land Component Command</p> <p>B-1. Include the minimum data requirements identified in the July 2004 DOD memorandum that established policy for the use of radio frequency identification technology in the statements of work for task order 58 and all other applicable task orders.</p>
<p>Rapid Fielding Initiative Accountability Procedures, Program Executive Office, Soldier (A-2005-0182-ALS, May 12, 2005)</p>	<p>For the Deputy Chief of Staff, G-4</p> <p>1. Clarify accountability requirements for rapid fielding initiative (RFI) property distributed through program executive officer (PEO) Soldier; specifically, accountability requirements for organizational clothing and individual equipment (OCIE) items when not issued by a central issued facility (CIF).</p>
	<p>For the Program Executive Officer, Soldier and For the Executive Director, U.S. Army Research, Development and Engineering Command Acquisition Center</p> <p>2. Instruct the appropriate personnel at the rapid fielding initiative warehouse to complete and document causative research within 30 days of inventory. Have the causative research:</p> <ul style="list-style-type: none"> <li>• identify documents used in the causative research process and the procedures followed to resolve the error in the results of the causative research.</li> <li>• identify the circumstances causing the variance.</li> <li>• make changes to operating procedures to prevent errors from recurring.</li> <li>• include government approval signatures before processing inventory adjustments and a system for tracking inventory adjustments so managers can cross-reference adjustments and identify those representing reversals.</li> </ul> <p>3. Assign a quality assurance representative to the rapid fielding initiative warehouse that can provide the appropriate contract oversight and prompt feedback to the contractor on accountability and performance issues. Direct the individual to coordinate with the contracting officer to ensure the contracting officer incorporates instructions for evaluating contract requirements into key documents, such as a surveillance plan and an appointment letter.</p> <p>4. Coordinate with the contracting officer to instruct the contractor to include the results of performance metrics related to inventory adjustments, location accuracy, inventory accuracy, and inventory control in the weekly deliverables or other appropriate forum. Have the contractor also include a spreadsheet with the overall accountability metric in the weekly reports for each line item and a continental United States (CONUS) fielding accountability spreadsheet after each fielding is completed. The data fields would include:</p> <ul style="list-style-type: none"> <li>• overall inventory control accountability would include: Prior week ending inventory balance + all receipts and returns for the current week = all shipments from the warehouse + ending inventory on hand.</li> </ul>

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<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
	Management oversight	Concurred, open
	Process	Concurred, closed, implemented
Materiel distribution	Policy	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
	Management oversight	Concurred, open
	Performance tracking	Concurred, closed, implemented

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Report title, number, date	Recommendations
	5. Direct the RFI contracting officer technical representative from program executive officer Soldier to work together with the contracting officer to develop a surveillance plan and provide the plan to the contract monitor. Include in the plan provisions for spot-checks if developers rely on the contractor's quality control plan.
Functionality of Logistics Automated Systems-Operation Iraqi Freedom (A-2005-0172-ALE, April 27, 2005)	For the Deputy Chief of Staff, G-4
	A-1. Coordinate with the Deputy Chief of Staff, G-3 to develop guidance that instructs deploying units on protecting automation equipment from voltage differences and extreme environmental temperature conditions.
	For Commanding General, Coalition Forces Land Component Command
	A-2. Direct all units in the Kuwaiti area of operations to provide controlled temperature conditions for automation equipment.
	A-3. Instruct all units arriving in the Kuwaiti area of operations on how to protect automation equipment from voltage differences.
	B-1. Declassify the order that identifies which combat service support automation management office units should contact for assistance.
Theater Distribution Capabilities-Operation Iraqi Freedom (A-2005-0168-ALE, April 26, 2005)	For the Deputy Chief of Staff, G-3/5/7
	A-1. Evaluate lessons learned from Operation Iraqi Freedom. As appropriate, adjust force structure requirements for military police and transportation personnel during the Total Army Analysis and contingency operations planning processes.
	For Commander, Coalition Forces Land Component Command
	A-2. Reduce the number of trucks assigned to the aerial port of debarkation to better reflect actual daily requirements. Coordinate with the Air Force at the aerial port of debarkation to obtain advanced notice of air shipments on a daily basis. Monitor use periodically to determine if future adjustments are required.
	A-3. Reestablish a theater distribution management center and make it responsible for synchronizing overall movement control operations for the Iraqi theater of operations. Coordinate with the Multi-National Force-Iraq to establish a standardized convoy tracking and reporting procedure.

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<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
	Management oversight	Concurred, closed, implemented
Inventory management	Policy	Concurred, open
	Management oversight	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
	Process	Nonconcurrent, closed, implemented
Materiel distribution	Management oversight	Concurred, open
	Process	Concurred, open
	Management oversight	Concurred, open

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Report title, number, date	Recommendations
Management Controls of Wholesale Munitions (A-2005-0099-FFG, February 4, 2005)	<p>For the Joint Munitions Command</p> <p>A-1. Coordinate with depots currently using local databases to track receipt transactions and develop a standard database that can be used by all depots to effectively track receipts from arrival date to posting. Each depot should be required to use this comprehensive database to track receipts and monitor the suspense dates to ensure receipts are posted to the Standard Depot System within the time standards. At a minimum, this database should include:</p> <ul style="list-style-type: none"> <li>• start and completion dates for key management controls.</li> <li>• date of arrival.</li> <li>• receipt control number and date assigned.</li> <li>• cross Reference Number assigned by the Standard Depot System.</li> <li>• suspense dates (when receipt should be posted to record).</li> <li>• date of physical count and reconciliation to receipt documentation.</li> <li>• if receipt required Report of Discrepancy be sent to shipper and date report was sent if required.</li> <li>• daily review control (list of receipts that are approaching required posting date).</li> <li>• date stored.</li> <li>• date posted.</li> <li>• reason for not posting within required time frame.</li> </ul> <p>A-2. Initiate a change to Army Materiel Command Regulation 740-27 to incorporate steps for identifying misplaced or lost labels in depot quality control checks, command assessments, and other tools used to measure depot performance.</p> <p>A-3. Fully use performance indicators (Depot Quality Control Checks, 304 Reports, and command assessments) as management tools to ensure necessary management controls are in place and operating for all depots' receipt process. Also, ensure depots have effective training programs that consist of both on-the-job training and formal training to ensure depot personnel are aware of key controls and their responsibilities. Provide training on weaknesses and negative trends identified during biannual command assessments.</p>
For the Blue Grass Army Depot and McAlester Army Ammunition Depot	<p>A-4. Assign receipt control numbers based on the date the receipt arrived, and accountability transfers from transporter to depot.</p> <p>A-5. Submit Reports of Discrepancy to shipper for all discrepancies between physical counts and receipt documents, including when no receipt documents are received.</p> <p>A-6. Post receipts to records in temporary location, when it meets the requirement for a reportable storage location, to ensure receipt transactions are posted so that munitions can be made visible for redistribution in a timely manner.</p>



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Focus area	Theme	Status of recommendations
Asset visibility	Process	Concurred, open
	Policy	Concurred, open
	Performance tracking	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
	Process	Concurred, closed, implemented

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Report title, number, date	Recommendations
Asset Visibility Of Military Equipment During Conversions U.S. Army Communications- Electronics Command (A-2004-0529-FFG, September 30, 2004)	<p>For the Commander, U.S. Army Communications- Electronics Command</p> <ol style="list-style-type: none"> <li>1. Reemphasize to item managers to use supply document transactions, as specified in AR 725-50, to generate due-ins in command's wholesale asset visibility system when directing the movement of military equipment items to a conversion contractor.</li> <li>2. Direct item managers to use a GM fund code in disposition instructions to troop turn-in units and materiel release orders to storage activities directing shipments of equipment items to conversion contractors or to an Army depot maintenance facility.</li> <li>3. Request the Logistics Support Activity to assign Routing Identifier Codes and related DOD Activity Address Codes for all conversion contractor operating locations where the contractor maintains quantities of items in the conversion process, but doesn't presently have the codes. For future conversion contracts develop a process to ensure that all required codes are assigned immediately following contract award.</li> <li>4. Reemphasize to item managers to:               <ul style="list-style-type: none"> <li>• monitor asset visibility system management reports for creation of due-ins.</li> <li>• require immediate corrective actions when due-ins aren't created in the asset visibility system.</li> </ul> </li> <li>5. Reemphasize to item managers the requirement to perform follow up on due-ins when receipts aren't posted in command's asset visibility system within time periods stated in AR 725-50.</li> <li>6. Incorporate into the current and all future conversion contracts, in coordination with the appropriate Project/Program Managers, the requirement for conversion contractors to transmit supply document transactions to the asset visibility system at Communications-Electronics Command in order to report:               <ul style="list-style-type: none"> <li>• receipts of assets upon arrival at the contractor's plant.</li> <li>• changes in item configurations during the conversion process.</li> <li>• shipments to gaining activities following conversion operations.</li> </ul> </li> <li>7. Until the conversion contracts are modified as detailed in Recommendation 6, require operating personnel to obtain all necessary supply documents and manually enter all necessary transactions into command's asset visibility system to report receipts at contractor locations from turn-in units and storage activities, changes in equipment item configurations, and shipments of converted items to gaining activities.</li> <li>8. Take appropriate actions to ensure unused component parts returned from conversion programs are not improperly reported in command's asset visibility system as complete military equipment systems. Specifically, for National Stock Number 5840-01-009-4939:               <ul style="list-style-type: none"> <li>• request an inventory at the depot storage activity to identify all component parts improperly returned as complete systems.</li> <li>• use the inventory results to adjust on-hand quantities in command's asset visibility system to ensure accurate balances.</li> </ul> </li> </ol>

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<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
Asset visibility	Management oversight	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Process	Concurred, closed, implemented

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Report title, number, date	Recommendations
	<p>9. Direct the Tobyhanna Army Depot maintenance facility to take all actions necessary to ensure appropriate supply document transactions are processed when equipment items are received, converted, and transferred back to storage ready for issue.</p> <p>10. Direct operating personnel to evaluate all Communications-Electronics Command equipment items undergoing disassembly, conversion, modification, or overhaul programs to determine if the same processes used for the items discussed in this report are applicable to them. If so, require operating personnel to apply the recommendations in this report to those affected items.</p>
<p>Selected Asset Holding Projects (A-2004-0333-AML, June 9, 2004)</p>	<p>For the Commander, U.S. Army Materiel Command</p> <p>1. Establish Army guidance requiring integrated materiel managers to perform annual reviews of holding project assets and follow up on redistribution actions.</p> <p>2. Direct commodity commands to redistribute holding project assets to other pre-positioned stock projects or to general issue.</p> <p>3. Direct commodity commands to dispose of excess, unserviceable, and obsolete assets in holding projects. Direct materiel managers to review the 38 bulky items in holding projects to identify excess assets and dispose of them.</p> <p>4. Establish guidance on the use of holding projects that requires managers to either provide a documented rationale for retaining excess assets in holding projects or dispose of them. Include in the guidance the requirement that inventory management commanders or their designees review the retention rationales for approval or disapproval.</p> <p>5. Establish guidance that requires materiel managers to review holding projects annually to identify unserviceable (condemned, economically unrepairable, and scrap) and obsolete assets in holding projects. Include in the guidance the requirement that the identified assets be disposed of within 12 months.</p>
<p>Management Controls for Wholesale Munitions Inventories Integration of Automatic Identification Technology (A-2004-0261-FFG, May 18, 2004)</p>	<p>For the Joint Munitions Command</p> <p>1. Use the integration plan to manage the integration of automatic identification technology in receiving and shipping processes, as well as the seal site program. At a minimum, the plan should be periodically reviewed to make sure:</p> <ul style="list-style-type: none"> <li>• adequate workforces are dedicated for integration tasks in the future.</li> <li>• equipment and software are thoroughly tested and determined to be functional before being fielding to ammunition storage activities.</li> </ul>

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<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
	Management oversight	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
Inventory management	Policy	Concurred, open
	Management oversight	Concurred, open
	Management oversight	Concurred, closed, implemented
	Policy	Concurred, open
	Policy	Concurred, open
Asset visibility	Management oversight	Concurred, closed, implemented

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Report title, number, date	Recommendations
Ammunition and Small Arms California Army National Guard (A-2004-0269-IMT, April 30, 2004)	For the Adjutant General, California National Guard
	<p>2. Require contractor to use Standard Depot System's composition rules and traditional edit checks in software development for the remaining applications to automatic identification technology. The development should include the:</p> <ul style="list-style-type: none"> <li>• use of established performance measures to ensure that all the contractor's products and services meet Joint Munitions Command's automatic identification technology needs, such as appropriate edit checks before fielding.</li> <li>• development of specific tasks with timelines to ensure that established implementation goals are met in the most effective and efficient manner. This should include penalties to ensure timely delivery of necessary equipment and software applications from contractors.</li> </ul>
	<p>A-1. Establish procedures that ensure commands and units reduce training ammunition forecasts when units determine that training ammunition requirements have changed.</p>
	<p>B-1. Make sure ammunition supply point personnel follow procedures to post all ammunition supply transactions in the Training Ammunition Management System on the day the transaction occurs.</p>
	<p>B-2. Make sure the ammunition supply point has procedures to maintain updated plan-o-graphs that show the locations and lot numbers of the ammunition stored in the ammunition supply point bunkers and includes the procedures in the supply point's standing operating procedures.</p>
	<p>B-3. Develop a plan to establish a reliable quality assurance specialist (ammunition surveillance) capability for the ammunition supply point and California Army National Guard units. Include in the plan an evaluation of whether the California Guard should have an internal quality assurance capability instead of relying on a memorandum of agreement with Fort Hunter-Liggett.</p>
	<p>B-4. Correct the contingency ammunition control problems at California Guard units by:</p> <ul style="list-style-type: none"> <li>• identifying all contingency ammunition that is currently on-hand at all California Guard units and establishing proper accountability over the ammunition.</li> <li>• preparing a serious incident report if the amount of ammunition unaccounted for that is identified at the units meets the criteria in AR 190-40.</li> <li>• ensuring that units and the ammunition supply point follow established procedures for maintaining all issue and turn-in documentation for security ammunition to support the quantities recorded on the units' hand receipt.</li> </ul>

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Focus area	Theme	Status of recommendations
	Management oversight	Concurred, closed, implemented
Inventory management	Process	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Planning	Concurred, open
	Process	Concurred, closed, implemented

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Report title, number, date	Recommendations
	<p>B-5. Follow procedures for reviewing and updating security and contingency ammunition requirements. At a minimum:</p> <ul style="list-style-type: none"> <li>• determine ammunition requirements based on threat assessments, potential missions and force structure available to provide a response.</li> <li>• coordinate and establish a current ammunition distribution plan.</li> <li>• conduct an annual review of ammunition requirements.</li> <li>• maintain a list of where ammunition is being stored for State contingency by type and quantity.</li> </ul> <p>B-6. Make sure units follow the requirement to provide all small arms supply transactions to the U.S. Property and Fiscal Office within 5 working days so that the DA central registry can be updated within 10 working days.</p> <p>B-7. Make sure units follow the checklist in AR 190-11 related to physical security over the storage of small arms and document the results of their inspections.</p>
Operational Projects Summary Eighth U.S. Army (A-2004-0224-FFP, April 8, 2004)	<p>For the Commander, Eighth U.S. Army</p> <p>1. Take appropriate action to perform and document required Operational Project reviews. Specifically:</p> <ul style="list-style-type: none"> <li>• establish and prescribe guidelines and criteria that will inject more discipline into the Operational Project review and validation process. Prescribe key factors, best practices, and methods for determining and documenting Operational Project requirements.</li> <li>• have each project proponent perform an analysis each year in accordance with the annual review process in Army Regulation 710-1 and whenever the Operational Plan changes. The project proponent should include an updated letter of justification that references where each project's list of requirements originated and how the quantities for each item were computed.</li> <li>• after receiving the official response from the project proponent, Eighth Army, G-4, War Reserve, should submit a memorandum to Headquarters, DA, G-4 for the purpose of documenting the annual review.</li> </ul> <p>2. Have the War Reserve Branch track completion of annual reviews and 5-year revalidations; periodically review documentation of reviews and revalidations to evaluate their sufficiency.</p>
Operational Project Stocks Phase II (A-2004-0108-AML, February 12, 2004)	<p>For the Deputy Chief of Staff, G-3</p> <p>1. Develop and apply detailed criteria to assess the adequacy of operational project packages and the validity of related requirements, and approve only those projects that meet the criteria.</p> <p>2. Establish criteria and guidelines that require proponent commands to identify and prioritize mission essential equipment in operational projects. Establish a policy to fund the higher priority items first.</p>



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<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
	Process	Concurred, closed, implemented
	Management oversight	Concurred, closed, not implemented
	Management oversight	Concurred, open
Requirements forecasting	Management oversight	Concurred, open
	Management oversight	Concurred, closed, implemented
Requirements forecasting	Policy	Concurred, open
	Policy	Concurred, open

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Report title, number, date	Recommendations
	<p>For the Deputy Chief of Staff, G-3 and For the Deputy Chief of Staff, G-4</p> <p>3. Establish and prescribe guidelines and criteria that will inject more discipline into the operational project requirements determination process. Prescribe key factors, best practices, and methods for determining and documenting operational project requirements.</p>
	<p>For the Deputy Chief of Staff, G-4</p> <p>4. Designate only commands with clear or vested interest in projects as the proponents.</p> <p>5. Provide guidance to project proponents that outline strategies and methodologies for reviewing and revalidating operational projects.</p> <p>6. Track completion of reviews and 5-year revalidations, periodically review documentation of reviews and revalidations to evaluate its sufficiency, and reestablish the enforcement policy that would allow cancellation of operational projects when proponents don't perform timely, adequate reviews or revalidations. Consider having a formal Memorandum of Agreement with Army Materiel Command to track operational project reviews and revalidations.</p> <p>7. Revise guidance requiring annual reviews for all operational projects to consider the individual characteristics of projects when scheduling the frequency of reviews.</p>
<p>Aviation Spare Parts Requirements Supply Control Studies U.S. Army Aviation and Missile Command (A-2004-0109-AMW December 31, 2003)</p>	<p>For the U.S. Army Aviation and Missile Command</p> <p>1. Instruct the responsible item managers to:</p> <ul style="list-style-type: none"> <li>• initiate actions to dispose of quantities that exceed documented requirements for the seven items identified.</li> <li>• determine if it's economical to reduce the planned procurement quantities excess to requirements for the five items identified. For those that are economically feasible, take action to reduce planned procurement quantities.</li> </ul> <p>If these actions are implemented, we estimate they will result in potential monetary savings of about \$1.7 million.</p>
<p>Operation Enduring Freedom—Management and Use of Shipping Containers (A-2004-0066-IMU, December 9, 2003)</p>	<p>For the Commanding General, Combined Joint Task Force 180</p> <p>1. Build semi-permanent storage facilities for class I supplies at Bagram and Kandahar, including facilities for dry and frozen goods storage.</p> <p>2. Direct base operations commanders to record all containers purchased with Operation Enduring Freedom funds in the installation property books. In addition:</p> <ul style="list-style-type: none"> <li>• conduct a 100-percent physical inventory of shipping containers at each installation.</li> <li>• record all leased and purchased containers in the property book. Make sure the serial numbers of the shipping containers are recorded, too.</li> <li>• establish procedures with the contracting office to ensure that the installation property book officer is given documentation when containers are purchased or leased.</li> </ul>

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<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
	Policy	Concurred, open
	Management oversight	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
	Policy	Concurred, open
Inventory management	Management oversight	Concurred, closed, implemented
Materiel distribution	Process	Concurred, open
	Management oversight	Concurred, open

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Report title, number, date	Recommendations
Operation Enduring Freedom— Class IX Aviation Spare Parts (A-2004-0013-IMU, October 7, 2003)	<p>For the Commander, Combined Joint Task Force 180</p> <ol style="list-style-type: none"> <li>1. Increase the size of the supply support activity in Bagram to 1,700 line items of authorized stockage list to ensure the availability of critical aviation spare parts.</li> <li>2. Require the supply support activity officer to hold inventory reviews every 30 days or less with aviation maintenance units to ensure adequate inventory levels of items on the authorized stockage list.</li> <li>3. Place Army expeditors—“the go-to guys”—familiar with class IX aviation spare parts at choke points located in Germany in the Army and Air Force delivery system to prioritize pallets and shipments.</li> </ol>
Operation Enduring Freedom— Class IX Aviation Spare Parts (A-2003-0400-IMU, August 19, 2003)	<p>For the Deputy Chief of Staff, G-4</p> <ol style="list-style-type: none"> <li>1. Establish theater DOD activity address codes for units to fall in on when assigned to Operation Enduring Freedom.</li> </ol>
Operation Enduring Freedom—Use of Automatic Identification Technology for In-Transit Visibility (A-2003-0371-IMU, July 24, 2003)	<p>For the Deputy Chief of Staff, G-4</p> <ol style="list-style-type: none"> <li>1. Issue guidance directing activities to attach radio frequency tags to shipments en route to the Operation Enduring Freedom area of responsibility. Enforce requirements to tag shipments by directing transportation activities not to allow the movement of cargo without a radio frequency tag attached.</li> <li>2. Direct Military Traffic Management Command to obtain radio frequency tag numbers from activities shipping goods and to report those tag numbers to transportation officers by including them in the in-transit visibility (ITV) Stans report.</li> <li>3. Issue additional guidance to activities clarifying procedures they should follow for the retrograde of radio frequency tags and to replenish their supply of tags.</li> </ol>
Operation Enduring Freedom—In- Transit Visibility (A-2003 -0370-IMU, July 24, 2003)	<p>For the Joint Logistics Command</p> <ol style="list-style-type: none"> <li>1. Make sure movement control teams tag shipments as required by US Central Command guidance to ensure that improvements continue during future rotations.</li> </ol>
Operational Projects in Europe, U.S. Army Europe and Seventh Army (A- 2003-0354-IMU, July 10, 2003)	<p>For the Commanding General, U.S. Army, Europe and Seventh Army</p> <p>A-1. Direct responsible activities to:</p> <ul style="list-style-type: none"> <li>• validate current requirements for subproject PCA (authorizing chemical defense equipment for 53,000 troops) to augment U.S. Army Europe’s second set deficiencies and submit the requirements to DA for approval in accordance with AR 710-1.</li> <li>• revalidate requirements for chemical defense equipment for project PCS (see PCA), including the addition of equipment decontamination kits. Revise requirements for chemical defense equipment for the Kosovo Force mission and submit the changes to DA.</li> </ul> <p>A-2. Ask Army Materiel Command to fully fill revised requirements for chemical defense equipment for operational project PCS and to redistribute or dispose of excess items from operational projects PCA and PBC.</p>

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<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
Inventory management	Process	Partially concurred, open
	Management oversight	Partially concurred, open
	Process	Partially concurred, open
Inventory management	Process	Concurred, closed, implemented
Asset visibility	Policy	Concurred, closed, implemented
	Management oversight	Nonconcurred, closed, implemented
	Policy	Concurred, closed, implemented
Asset visibility	Management oversight	Concurred, closed, implemented
Requirements Forecasting	Management oversight	Concurred, closed, not implemented
	Process	Concurred, closed, not implemented

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Report title, number, date	Recommendations
	<p>B-1. Direct responsible activities to review and validate all project requirements for collective support systems as required by AR 710-1.</p> <hr/> <p>C-1. Direct responsible activities to:</p> <ul style="list-style-type: none"> <li>• ask DA to cancel subprojects PZP and PZQ (project codes to provide equipment for reception of reinforcing forces deploying to Europe and other theaters).</li> <li>• develop requirements and request a new receiving, staging, onward movement and integration operational project, if needed, in accordance with AR 710-1.</li> </ul> <hr/> <p>D-1. Ask DA to cancel operational subproject PYN (project code) for aircraft matting.</p> <hr/> <p>D-2. Submit new operational project requirements for aircraft matting to DA in accordance with AR 710-1.</p>
<p>Army Total Asset visibility Capability (A-2003-0303-AML, June 18, 2003)</p>	<p>For the Deputy Chief of Staff, G-4</p> <p>A-1. Develop a system of metrics, to include performance goals, objectives, and measures, for evaluating the reliability of data in the capability. Establish processes for comparing actual performance to the metrics and taking remedial action when performance goals and objectives aren't met. (Recommendation B-3 calls for a process to compare data in the capability and feeder systems. The results of these comparisons would constitute the actual data reliability performance.)</p> <hr/> <p>A-2. Develop goals and objectives for use in evaluating the success of redistribution actions for Army assets. Develop procedures for identifying and correcting the causes for referral denials that exceed the established goals.</p>
	<p>For the Deputy Chief of Staff, G-4</p> <p>B-1. Issue guidance to project and product managers detailing the proper use of bypass codes on procurement actions.</p> <hr/> <p>B-2. Include definitive guidance on the use of bypass codes into appropriate guidance documents on The Army's business processes, such as AR 710-1. Make sure the guidance explains the ramifications of using the different codes.</p>
	<p>For the Commander, U.S. Army Materiel Command</p> <p>B-3. Direct the Logistics Support Activity to perform periodic reviews of data in the capability to ensure that it agrees with data in feeder systems, and take action to identify and correct the causes for any differences.</p> <hr/> <p>B-4. Require commodity commands to use the Post-award Management Reporting System to help manage contract receipts. Also, make sure the Logistics Modernization Program has the capability to manage invalid due-in records.</p> <hr/> <p>B-5. Direct commodity commands to delete all procurement due-in records with delivery dates greater than 2 years old. Have the commodity commands research and resolve due-in records with delivery dates more than 90 days old but less than 2 years old.</p> <hr/> <p>B-6. Direct commodity commands to review and remove invalid due-in records for field returns with delivery dates over 180 days.</p>

**Appendix III  
Supply Chain Management: Summary of Army  
Audit Agency Report Recommendations**

<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
	Management oversight	Concurred, closed, not implemented
	Management oversight	Concurred, closed, not implemented
	Process	Concurred, closed, not implemented
	Management oversight	Concurred, closed, not implemented
Asset visibility	Performance tracking	Concurred, open
	Planning	Nonconcurrent, closed, not implemented
	Policy	Concurred, closed, implemented
	Policy	Concurred, closed, implemented
	Management oversight	Concurred, open
	Management oversight	Concurred, open
	Management oversight	Concurred, open
	Management oversight	Concurred, open

**Appendix III  
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Report title, number, date	Recommendations
	B-7. Require commodity commands to periodically scan the Commodity System for procurement actions issued with bypass codes. Ask project and program managers to explain the decision to use a bypass code. Report the results of the review to the Assistant Secretary of the Army (Acquisition, Logistics and Technology). If the Logistics Modernization Program continues to employ bypass codes or other methods that prevent the creation of a due-in record, conduct similar reviews when the Logistics Modernization Program is implemented.
For the Commander, U.S. Army Materiel Command	C-1. Incorporate instructions on the use of the capability into appropriate guidance documents on The Army's logistics business processes, such as AR 710-1. These instructions should address topics such as reviewing the capability for excess items before procuring additional stocks.  C-2. Direct the Logistics Support Activity to review data in the Army Total Asset visibility capability for potentially erroneous data. Establish a procedure for reporting the potentially erroneous data to the activities responsible for the data and performing research to determine the validity of the data.
For the Deputy Chief of Staff, G-4	D-1. Revise AR 710-2 and 710-3 to comply with the requirements of AR 11-2. Specifically: <ul style="list-style-type: none"> <li>• develop management control evaluation checklists addressing the accuracy and reliability of data in the Army Total Asset visibility capability and publish these controls in the governing Army regulations, or</li> <li>• identify other evaluation methods and include these in the applicable Army regulations.</li> </ul>
Asset Status Transactions (A-2003-0289-AML, June 13, 2003)	For the Commander, U.S. Army Materiel Command <p>1. Emphasize to the commodity commands the need to periodically review the process for creating asset status transactions in the Commodity Command Standard System to ensure the transactions are properly created and forwarded to the Logistics Support Activity.</p> <p>2. Revise Automated Data Systems Manual 18-LOA-KCN-ZZZ-UM to require activities to promptly submit monthly asset status transactions to the Logistics Support Activity.</p>



**Appendix III  
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<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
	Management oversight	Concurred, open
	Policy	Concurred, closed, implemented
	Management oversight	Concurred, open
	Policy	Concurred, closed, implemented
Asset visibility	Management oversight	Concurred, open
	Policy	Concurred, closed, implemented

**Appendix III  
Supply Chain Management: Summary of Army  
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Report title, number, date	Recommendations
	<p>For the Commander, U.S. Army Materiel Command Logistics Support Activity</p> <p>3. Establish procedures for notifying source activities when the capability rejects asset status transactions. Make sure that rejected and deleted transactions are reviewed to identify reasons for the transactions being rejected or deleted. If appropriate, correct the rejected transactions and resubmit them for processing to the capability. Based on the results of the reviews, take appropriate action to correct systemic problems.</p> <p>4. Establish a control log to monitor participation of Army activities in the monthly asset status transaction process. Use the log to identify activities that didn't submit a monthly update and determine why an update wasn't submitted. Report frequent abusers of the process through appropriate command channels.</p> <p>5. Report to the Deputy Chief of Staff, G-4 that AR 710-3 needs to be revised to require activities to promptly submit monthly asset status transactions to the Logistics Support Activity.</p> <p>6. Document the process used to update information in the asset visibility module of the Logistics Integrated Data Base.</p>
<p>Operation Enduring Freedom-- Property Accountability (A-2003-0294-IMU, June 2, 2003)</p>	<p>For the Defense Logistics Agency</p> <p>A-1. Obtain a document number from the installation property book office before ordering installation property or organizational clothing and individual equipment. Order only equipment and vehicles for valid requirements approved by the Joint Acquisition Review Board.</p> <p>A-2. Include written justification, analyses and study results in documentation for purchase requests and commitments before acquisition decisions are made.</p> <p>A-3. Determine the number of vehicles required for the mission. Consider adjusting dollar thresholds for approval by the Joint Acquisition Review Board.</p> <p>A-4. Establish written policy to secure explosives using the interim plan. Build a permanent secure area for explosives awaiting movement as soon as possible.</p>
<p>Criteria Used to Stock Repair Parts in the Army's Wholesale Supply System (A-2003-0223-AMA, April 30, 2003)</p>	<p>For the Commander, U.S. Army Materiel Command</p> <p>A-1. When updating the variable cost-to-procure factor, make sure the following steps are completed until a system like activit-based costing is available to capture costs:</p> <ul style="list-style-type: none"> <li>• develop cost data for each functional area using groups of well-trained, function experts.</li> <li>• properly document the process used to develop costs.</li> <li>• research and substantiate variances in cost data among buying activities.</li> </ul> <p>A-2. Make sure updates to the variable cost-to procure factor are given to each buying activity and properly input into the materiel management decision file in the Commodity Command Standard System.</p>

**Appendix III  
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Audit Agency Report Recommendations**

<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
	Process	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
	Policy	Concurred, closed, implemented
	Process	Concurred, closed, implemented
Requirements forecasting	Management oversight	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Policy	Concurred, open
Inventory management	Process	Concurred, open
	Process	Concurred, open

**Appendix III  
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Report title, number, date	Recommendations
<p>Development and Integration of Automatic Identification Technology Into Logistics Processes (A-2003- 0192-AML, March 21, 2003)</p>	<p>A-3. Review the variable cost-to-procure elements in the materiel management decision file and determine which of the three variable cost-to-procure cost categories should be used to update each element. Provide this information to the buying activities for implementation. Do periodic checks to make sure the elements are updated properly.</p> <p>A-4. Review the other factors in the materiel management decision file mentioned in this report for accuracy, especially those that haven't been updated in the past 2 years. Specifically make sure the buying activities update the following factors using data related to the commodity they manage:</p> <ul style="list-style-type: none"> <li>• Variable Cost to Hold (General Storage Cost, Discount Rate, Storage Loss Rate, and Disposal Value).</li> <li>• Probability of No Demands.</li> <li>• Depot Cost Elements (Stock Issue Cost, Fixed Cost, Receipt Cost for Stocked Item, and Non-Stocked Cost).</li> <li>• Percent Premium Paid.</li> <li>• Add-Delete Demands.</li> </ul> <p>B-1. Have the Requirements Integrity Group (or a similar working group) periodically review the factors used in the economic order quantity/variable safety level model for accuracy—especially those discussed in this objective. Provide guidance to buying activities for properly updating factors and make sure updated factors are processed in the automated system.</p> <hr/> <p>1. Issue written policy prescribing the specific roles and responsibilities, processes, and key management controls for developing and integrating automatic identification technology into logistics processes. As a minimum, include requirements for funding, milestone decisions, in-process reviews, test and evaluation plans, life-cycle cost estimates, benefit analyses, coordination with other system developments, and transfer of finished products. Also, consider subjecting the Army's development of automatic identification technology to the prescribed acquisition procedures of AR 70-1.</p> <hr/> <p>2. Prepare a business case analysis for each automatic identification technology application that the Army has ongoing and planned. Adjust applications, if appropriate, based on the results of the business case analyses.</p> <hr/> <p>3. Establish a central oversight control within the Army for automatic identification technology. As a minimum, set up a process to:</p> <ul style="list-style-type: none"> <li>• monitor all development and funding within the Army for automatic identification technology.</li> <li>• verify that similar developments aren't duplicative.</li> </ul> <hr/> <p>4. Update the operational requirements document for automatic identification technology. As a minimum, determine the Army-wide need for standoff, in-the-box visibility and document the results in an updated operational requirements document.</p>
<p>For the Commander, U.S. Army Training and Doctrine Command</p>	

**Appendix III  
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<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
	Management oversight	Concurred, open
	Management oversight	Concurred, open
	Management oversight	Concurred, open
Asset visibility	Policy	Concurred, open
	Planning	Concurred, open
	Management oversight	Concurred, open
	Policy	Nonconcurrent, open

**Appendix III  
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<b>Report title, number, date</b>	<b>Recommendations</b>	
Methodology for Computing Authorized Stockage Lists (A-2003 - 0106-AML, December 31, 2002)	For the Deputy Chief of Staff, G-4	Revise the current version of AR 710-2 to make Dollar-Cost Banding mandatory. Set a date for implementing Dollar-Cost Banding that will allow for gradual implementation by major commands, divisions, and other activities with supply support activities.
Repair Parts Support to Alert Forces (A-2002 -0423-AML, June 7, 2002)	For the Deputy Chief of Staff, G-4	<p>A-1. Issue a message to all major command and subordinate activities informing them of problems and best practices identified during our audit. Use the draft advisory message as a guide for preparing the message (Annex E). Advise major commands and divisions responsible for maintaining units on alert status for rapid deployment in response to a crisis to ensure their local policies (such as major command regulations or division Readiness Standing Operating Procedures) include the provisions outlined in the message.</p> <p>A-2. Modify AR 710-2 to include guidance for major commands and subordinate activities responsible for maintaining units on alert status for rapid deployment to follow to ensure adequate repair parts support during the initial period of deployment. As a minimum, require that divisions with alert units have:</p> <ul style="list-style-type: none"> <li>• an assumption process in place that includes procedures for detailed planning of Class IX requirements.</li> <li>• a deployment notification process in place with procedures for conducting a summary review of Class IX stocks planned for deployment, considering such factors as the deployment environment, anticipated operating tempo, or intensity of the operations.</li> </ul> <p>A-3. Modify DA Pamphlets 710-2-1 and 710-2-2 to include detailed procedures for divisions to follow to ensure alert forces have adequate Class IX repair parts support. Review the best practices outlined in this report (and the draft advisory message in Annex E) as a starting point for revising the pamphlets.</p> <p>A-4. Update Field Manual 10-15 (Basic Doctrine Manual for Supply and Storage) to reflect current policies and address the key procedures discussed earlier in this report. Additionally, update the field manual to provide guidance on such issues as:</p> <ul style="list-style-type: none"> <li>• how to identify Class IX repair part requirements for alert forces.</li> <li>• how to identify repair parts shortages and whether to requisition shortage items.</li> <li>• what priority designator code to use for requisitioning parts during the assumption process and when in alert status.</li> <li>• when to use pre-packaged inventories.</li> <li>• when to pre-position parts at airfields (with alert force equipment).</li> </ul> <p>B-1. Include key management controls for alert forces in an appendix of AR 710-2 as prescribed by AR 11-2 or incorporate these controls into the existing Command Supply Discipline Program. Consider our list of key controls contained in Annex H to identify controls for inclusion in the regulation.</p>

**Appendix III**  
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<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
Inventory management	Policy	Concurred, closed, implemented
Inventory management	Policy	Concurred, closed, implemented
	Policy	Concurred, closed, implemented
	Policy	Concurred, closed, implemented
	Policy	Concurred, closed, implemented
	Policy	Concurred, closed, implemented

Source: Army Audit Agency.

# Supply Chain Management: Summary of Air Force Audit Agency Report Recommendations

Report title, number, date	Recommendations	
Adjusted Stock Levels (F2006-0010-FC4000, September 5, 2006)	The Director of Logistics Readiness, Air Force Deputy Chief of Staff for Installations, Logistics and Mission Support should:	<p>a. Require Air Force personnel to delete all invalid adjusted stock levels identified in the audit.</p> <p>b. Establish procedures to improve adjusted stock level management. Specifically, revise Air Force Manual 23-110 to:</p> <ul style="list-style-type: none"> <li>• address the role of the Logistics Support Centers. Specifically, require Logistics Support Center personnel only approve base-initiated adjusted stock levels with sufficient justification on the Air Force Forms 1996, maintain all Air Force Forms 1996, and initiate the revalidation process.</li> <li>• improve the revalidation process. Specifically, the guidance should contain the following controls: <ul style="list-style-type: none"> <li>• a revalidation checklist detailing procedures logistics personnel should use to revalidate adjusted stock levels.</li> <li>• ensure personnel accomplish the revalidation every 2 years.</li> <li>• a requirement to use Air Force Form 1996 to establish each adjusted stock level (including MAJCOM-directed adjusted stock levels) and include a detailed justification of the adjusted stock level purpose and duration.</li> </ul> </li> </ul>
Due Out To Maintenance Additives (F2006-0008-FC4000, August 22, 2006)	A.1. The Air Force Materiel Command Director of Logistics should:	<p>a. Direct air logistics center shop personnel to delete the invalid Credit Due In From Maintenance details identified by audit (provided separately).</p> <p>b. Establish procedures requiring an effective quarterly Credit Due In From Maintenance Reconciliation. Specifically, Air Force Manual 23-110, US Air Force Supply Manual, and Air Force Materiel Command Instruction 23-130, Depot Maintenance Material Control, should require maintenance personnel to provide written documentation for each Credit Due In From Maintenance detail (i.e., supported by a “hole” in the end item). If such supporting documentation is not provided, require retail supply personnel to delete the unsupported Credit Due In From Maintenance details.</p> <p>c. Develop training for air logistics center shop personnel regarding proper spare part turn-in and Credit Due In From Maintenance Reconciliation procedures. Specifically, the training should define the various ways to turn spare parts in, and the differences between each method, to include the impact of improperly turning in spare parts. In addition, proper Credit Due In From Maintenance Reconciliation procedures should be covered in depth to include training on what constitutes appropriate supporting documentation.</p>
	A.2. The Air Force Materiel Command Director of Logistics should:	<p>a. Establish detailed procedures in Air Force Manual 23-110 on how an item manager should validate Due Out to Maintenance additives (i.e., what constitutes a Due Out To Maintenance additive, where the item manager can validate the additive, which priority backorders are associated with Due Out To Maintenance, etc.).</p>



**Appendix IV  
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Force Audit Agency Report  
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<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
Requirements forecasting	Management oversight	Concurred, open
	Policy	Concurred, open
Requirements forecasting	Management oversight	Concurred, open
	Policy	Concurred, open
	Planning	Concurred, open
	Policy	Concurred, open

**Appendix IV  
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Report title, number, date	Recommendations
	<p>b. Direct Warner Robins Air Logistics Center to rescind local policy allowing item managers to increase the Due Out To Maintenance additive quantity to account for install condemnations.</p> <p>c. Issue a letter to item managers reemphasizing the requirement to document the methodology used to validate changes to Due Out to Maintenance additives, and retain adequate support for the Due Out To Maintenance additive quantity.</p>
<p>Reparable Item Requirements – Condemnations (F2006-0006-FC4000, April 18, 2006)</p>	<p>A.1. Air Force Materiel Command Directorate of Logistics and Sustainment personnel should update Air Force Materiel Command Manual 23-1, Requirements for Secondary Item, to:</p> <p>a. Include instruction on what information should be developed and retained to support estimated condemnation rates. The guidance should include maintaining documentation on key assumptions, facts, specific details, decision makers' names and signatures, and dates of decisions so the condemnation percentage can be recreated.</p> <p>b. Establish sufficient guidance to instruct equipment specialists on managing parts replacement forecasting. Specifically, develop a standardized method to plan for replacement part acquisition while phasing out the old parts.</p>
<p>Shop Flow Time Data Accuracy (F2006-0004-FC4000, December 2, 2005)</p>	<p>The Air Force Materiel Command Director of Logistics and Sustainment should:</p> <p>a. Correct the shop flow times for the 211 items with requirements discrepancies.</p> <p>b. Revise the process for computing shop flow times to adhere to DoD 4140.1-R, which requires the removal of awaiting maintenance and awaiting parts times from requirements computations.</p> <p>c. Evaluate the D200A Secondary Item Requirements System computer program to identify and correct the programming deficiencies adversely impacting the shop flow times computation.</p> <p>d. Complete the ongoing automation effort designed to eliminate manual processing errors.</p>
<p>Supply Discrepancy Report Program (F2006-0003-FC4000, November 15, 2005)</p>	<p>A.1. The Air Force Deputy Chief of Staff, Installations and Logistics, should:</p> <p>a. Revise Air Force Manual 23-110 to: (1) Provide supply discrepancy report missing shipment procedures consistent with Air Force Joint Manual 23-215 guidance. (2) Establish supply discrepancy report dollar value criteria consistent with DoD 4500.9-R guidance.</p> <p>b. Establish base supply personnel training requirements on supply discrepancy report procedures and communicate those requirements to the field.</p> <p>A.2. The Air Force Deputy Chief of Staff, Installations and Logistics, should:</p> <p>Request Defense Logistics Agency comply with procedures requiring depot supply personnel inspect packages and submit supply discrepancy reports when appropriate.</p>
<p>Readiness Spares Package Requirements (F2006-0002-FC4000, November 15, 2005)</p>	<p>A.1. The Air Force Deputy Chief of Staff, Installations and Logistics, should:</p> <p>a. Revise Air Force Manual 23-110 to (1) describe more thoroughly documentation requirements for data elements used to compute readiness spares package item requirements and (2) require all readiness spares package managers to attend training that includes an adequate explanation of data element documentation requirements.</p>

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<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
	Policy	Concurred, open
	Management oversight	Concurred, open
Requirements forecasting	Policy	Concurred, open
	Policy	Concurred, open
Requirements forecasting	Process	Concurred, open
	Process	Concurred, open
	Management oversight	Concurred, open
	Process	Concurred, open
Matériel distribution	Policy	Concurred, open
	Planning	Concurred, open
	Management oversight	Concurred, open
Requirements forecasting	Policy	Concurred, open

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Report title, number, date	Recommendations
Depot Stock Level Days (F2006-0001-FC4000, November 9, 2005)	<p>A.1. The Air Force Materiel Command Directorate of Logistics and Sustainment personnel should:</p> <p>a. Reduce the stock level day standard value from 10 days to 4 days in the D200A Secondary Item Requirements System.</p> <p>b. Develop and implement an automated method in the Advanced Planning and Scheduling system to measure the actual order and ship time needed to replenish depot level maintenance serviceable stock inventories.</p> <p>c. Develop and implement an interim method to measure or estimate depot order and ship time until an automated method is developed.</p>
Cargo Processing (F2005-0007-FC4000, July 14, 2005)	<p>A.1. The Deputy Chief of Staff, Installations and Logistics, Directorate of Logistics Readiness should require the Distribution and Traffic Management Division to:</p> <p>a. Direct Transportation Management Office personnel to communicate to the consignors the cost and timing benefits to move shipments via door-to-door commercial air express carrier service when eligible based on DoD and Air Force guidance. If the consignor refuses the cost-effective mode, require a waiver letter expressing the need to use the Air Mobility Command carrier.</p> <p>b. Develop criteria to allow consignors to adequately identify priority requirements and assign appropriate priority designator codes when shipping assets via Air Mobility Command airlift. This criteria should be included in Air Force Instruction 24-201.</p> <p>c. Instruct Transportation Management Office personnel to properly review all shipping documentation to ensure all required information is completed by the consignor prior to accepting cargo for movement to the Air Mobility Command aerial port.</p>
Mission Direct Additive Requirements (F2005-0006-FC4000, July 11, 2005)	<p>A.1. The Air Force Materiel Command Director of Logistics and Sustainment should:</p> <p>a. Establish procedures to properly budget for delayed discrepancy repair requirements by accounting for the eventual return and repair of unserviceable items in the requirements/budget process starting with the March 2005 computation cycle.</p> <p>b. Develop procedures or include an edit in the new system that flags additives and prompts the item manager to perform thorough reviews of additive requirements.</p> <p>c. Develop a process that requires program managers, item managers, and other applicable program directorate personnel to periodically review program and mission direct additive requirements to verify that duplication has not occurred.</p>

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<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
	Process	Concurred, open
Requirements forecasting	Process	Concurred, open
	Process	Concurred, open
	Process	Concurred, open
Materiel distribution	Management oversight	Concurred, open
	Policy	Concurred, open
	Management oversight	Concurred, open
Requirements forecasting	Process	Concurred, closed, implemented
	Process	Concurred, open
	Process	Concurred, open

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Report title, number, date	Recommendations
Low Demand Item Requirements Computation Accuracy (F2005-0005-FC4000, March 18, 2005)	<p>A.1. The Air Force Materiel Command Director of Logistics and Sustainment should:</p> <p>a. Direct item managers to correct erroneous requirements identified during this review.</p> <p>b. Revise Air Force Materiel Command Manual 23-1 to clarify procedures for adjusting low demand item requirements. Specifically, ensure the guidance clearly states item managers may restore previously decreased requirements to their original level.</p>
Reparable Item Requirements - Repair Cycle Times (F2005-0004-FC4000, February 2, 2005)	<p>A.1. The Air Force Materiel Command Director of Logistics and Sustainment should:</p> <p>a. Direct item managers to correct all erroneous requirements computations and related budgets identified during this review.</p> <p>b. Revise Air Force Materiel Command Manual 23-1 to correct guidance conflicts. Specifically, ensure the guidance only contains the correct standards requirements (3 days for base processing times and 10 days for reparable intransit times).</p>
Indenture Relationship Impact on Secondary Item Requirements Computations (F2004-0006-FC4000, May 21, 2004)	<p>A.1. The Air Force Materiel Command Director of Logistics should revise Air Force Materiel Command Manual 23-1 to:</p> <p>A.2. The Air Force Materiel Command Director of Logistics should:</p> <p>B.1. The Air Force Materiel Command Director of Logistics should:</p> <p>a. Require item managers review and identify excess next higher assemblies that could be used to satisfy indentured item repair, as well as buy, requirements.</p> <p>b. Provide specific procedures for item managers to follow to satisfy the indentured item buy and repair requirements.</p> <p>Revise training, and then train item managers to use indentures system data to identify excess next higher assemblies that could be used to satisfy indentured item requirements.</p> <p>a. Require equipment specialists correct inaccurate indentures system data.</p> <p>b. Publish the draft guidance requiring equipment specialists ensure indentures system data accuracy.</p> <p>c. Train equipment specialists to maintain indentures system data accuracy.</p>
Contractor Assets and Price Controls (F2004-0005-FC4000, May 10, 2004)	<p>The Air Force Materiel Command Director of Logistics should:</p> <p>a. Collect the unserviceable parts identified during the audit from the contractors or adjust the price of those parts (FY 2000-2002, \$238.9 million and estimated FY 2003, \$79.6 million).</p> <p>b. Establish a mechanism to track the issue and return of parts issued to customers who subsequently provide those parts to contractors as prescribed in Air Force Manual 23-110, Volume I, Part 3, Chapter 7.</p> <p>c. Either revise the policy to issue parts to customers who subsequently provide those parts to contractors at standard price or develop a due-in-from-maintenance-like control to adjust the part's price if the unserviceable parts are not returned.</p>

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<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
	Management oversight	Concurred, closed, implemented
Requirements forecasting	Management oversight	Concurred, closed, implemented
	Policy	Concurred, closed, implemented
Requirements forecasting	Management Oversight	Concurred, closed, implemented
	Policy	Concurred, closed, implemented
Requirements forecasting	Management oversight	Concurred, open
	Process	Concurred, open
	Planning	Concurred, open
	Management oversight	Concurred, open
	Process	Concurred, open
	Planning	Concurred, open
Asset visibility	Process	Concurred, open
	Management oversight	Concurred, open
	Policy	Concurred, open

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Report title, number, date	Recommendations	
Propulsion Requirements System Computation Accuracy (F2004-0003-FC4000, November 12, 2003)	A.1. The Deputy Chief of Staff, Installations and Logistics should:	<p>a. Revise Air Force Instruction 21-104 to require engine managers to input a follow-on tasked unit into the requirements computation system as a single unit.</p> <p>b. Modify PRS software to compute spare engine needs based on the combined flying hours for follow-on tasked units.</p>
Other War Reserve Materiel (F2003-0010-FC4000, May 2, 2003)	A.1. The Air Force Materiel Command Supply Management Division should:	<p>a. Implement corrective software changes to the Secondary Item Requirements System and Central Secondary Item Stratification Subsystem systems to remove the Other War Reserve Materiel requirements from the Peacetime Operating Spares requirements and report Other War Reserve Materiel requirements separately.</p> <p>b. Implement interim procedures to remove Other War Reserve Materiel requirements from the Peacetime Operating Spares requirements and budget and report Other War Reserve Materiel requirements separately until they implement Recommendation A.1.a.</p>
Programmed Depot Maintenance Materiel Support (F2003-0008-FC4000, February 21, 2003)	A.1. The Air Force Materiel Command Director of Logistics should:	<p>a. Direct maintenance management personnel to provide adequate oversight to ensure maintenance personnel turn in all aircraft parts to the Weapon System Support Center or courtesy storage areas.</p> <p>b. Revise Air Force Materiel Command Instruction 21-130 directing air logistics center Weapon System Support Center management to establish a supply inventory monitor to oversee maintenance work areas ensuring excess parts are turned in to Weapon System Support Center or courtesy storage areas.</p>
	A.2. The Air Force Materiel Command Director of Logistics should:	Reemphasize the regulatory requirement (Air Force Materiel Command Instruction 21-130) to the air logistics center maintenance supervisors to assign a maintenance inventory control monitor to oversee the maintenance areas and ensure maintenance personnel tag and label all parts with the applicable aircraft number and the serviceability condition.
Air Mobility Command Forward Supply System (F2002-0009-C06100, September 26, 2002)	A.1. The Army Materiel Command Director of Logistics should:	Request that the Air Force Materiel Command Director of Logistics include Air Force Logistics Management Agency Stocking Policy 11 in the Readiness Base Leveling system to calculate C-5 forward supply location spare parts stock levels.
	B. 1. The Air Force Materiel Command Director of Logistics should:	Instruct item manager specialists that Air Force Form 1996 is not required to maintain Army Materiel Command Forward supply secondary item requirements in the Secondary Item Requirements System.
Asset Variance, (F2002-0008-C06200, September 18, 2002)	A.1. The Air Force Materiel Command Director of Logistics should:	<p>a. Remove the D200A Secondary Item Requirements System automatic asset balance variance adjustment.</p> <p>b. Establish training requirements for air logistics center personnel on how to research and resolve D200A Secondary Item Requirements System asset balance variances.</p>



**Appendix IV  
Supply Chain Management: Summary of Air  
Force Audit Agency Report  
Recommendations**

<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
Requirements forecasting	Policy	Concurred, closed, implemented
	Process	Concurred, closed, not implemented
Requirements forecasting	Process	Concurred, closed, not implemented
	Process	Concurred, closed, implemented
Inventory management	Management oversight	Concurred, closed, implemented
	Policy	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
Inventory management	Policy	Concurred, closed, not implemented
	Management oversight	Concurred, closed, implemented
Inventory management	Process	Concurred, closed, implemented
	Planning	Concurred, closed, implemented

**Appendix IV  
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Report title, number, date	Recommendations	
Air National Guard Small Arms Management (F2002-0005-C06100, May 20, 2002)	A.1. The Air National Guard, Deputy Chief of Staff, Logistics, should:	<ul style="list-style-type: none"> <li>c. Revise the Air Force Materiel Command Manual 23-1 to require that item managers defer an item's buy and/or repair requirement until reconciling any asset balance variance greater than a specified threshold (variance percent, quantity, and/or dollar value).</li> <li>d. Establish asset balance variance oversight procedures to verify item managers resolve asset balance variances.</li> </ul>
Air National Guard Small Arms Management (F2002-0005-C06100, May 20, 2002)	A.1. The Air National Guard, Deputy Chief of Staff, Logistics, should:	<ul style="list-style-type: none"> <li>a. Address to subordinate units the importance of following Air Force equipment guidance related to small arms accountability, inventory, documentation, storage, and disposal, and the competitive marksmanship program.</li> <li>b. Request the Air National Guard Inspector General to include small arms accountability, inventory, documentation, storage, and disposal requirements as a special emphasis area in unit inspections.</li> </ul>
Air National Guard Small Arms Management (F2002-0005-C06100, May 20, 2002)	B.1. The Air National Guard, Deputy Chief of Staff, Logistics, should:	<ul style="list-style-type: none"> <li>a. Direct all Air National Guard units revalidate small arms and conversion kit requirements using Allowance Standard 538.</li> <li>b. Recompute requirements (including M-16 conversion kits), reallocate small arms on-hand based on adjusted authorizations, and adjust requirements and requisitions, as needed, following the reallocations.</li> </ul>
Material Management Transition (F2002-0006-C06200, April 29, 2002)	A.1. The Air Force Materiel Command Director of Logistics should revise Air Force Manual 23-110 to include specific material management transition guidance. Specifically, the guidance should require:	<ul style="list-style-type: none"> <li>a. Transition gaining locations to have a training plan in place to ensure personnel are adequately trained before working asset buy and repair requirement computations.</li> <li>b. Air Force Materiel Command personnel to establish a transition team to monitor all stages of the transition, to include ensuring personnel are adequately trained and providing additional oversight over requirement computations worked by new item managers.</li> </ul>

**Appendix IV  
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Force Audit Agency Report  
Recommendations**

<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
	Policy	Concurred, closed, implemented
	Process	Concurred, closed, implemented
Inventory management	Management oversight	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
	Process	Concurred, closed, implemented
Requirements forecasting	Policy	Concurred, closed, implemented
	Policy	Concurred, closed, implemented

**Appendix IV  
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Report title, number, date	Recommendations	
Base-Level Repairable Item Transactions (F2002-0004-C06100, March 22, 2002)	A.1. The Deputy Chief of Staff, Installations and Logistics, should:	Revise Standard Base Supply System transaction processing procedures to automatically select special requisition Air Force routing identifier codes.
	B.1. The Deputy Chief of Staff, Installations and Logistics should:	Issue guidance to base supply personnel reminding them of proper receipt transaction procedures.
	C.1. The Air Combat Command, Director of Maintenance and Logistics, should:	Discontinue the automated transaction deletion program since the revised Standard Base Supply System procedures render the program obsolete.
	C.2. The Deputy Chief of Staff, Installations and Logistics should:	a. Revise Air Force Manual 23-110 to direct working capital fund managers to input reversing entries that will correct erroneous transactions identified during monthly M01 list reviews.  b. Direct all base supply working capital fund managers to: (1) Review the most current M01 list to evaluate the propriety of all transactions affecting the Purchases at Cost account. (2) Input reversing entries to correct any erroneous transactions identified during the M01 list review. This will correct all deficiencies, including those described in Results-A and Results-B.
Air Force Reserve Small Arms Management (F2002-0001-C06100, January 2, 2002)	A.1. The Air Force Reserve Command, Deputy Chief of Staff, Logistics, should:	a. Address to subordinate units the importance of following Air Force equipment guidance related to small arms accountability, inventory, documentation, storage, and disposal.  b. Request the Air Force Reserve Command Inspector General to include small arms accountability, inventory, documentation, storage, and disposal requirements as a special emphasis area in unit inspections.
	B.1. Air Force Reserve Command, Deputy Chief of Staff, Logistics, should:	a. Request all Air Force Reserve Command units revalidate small arms and conversion kit authorizations using Allowance Standard 538.  b. Recompute requirements (including M-16 conversion kits), reallocate small arms on-hand based on recomputed authorizations, and adjust requirements and requisitions, as needed, following the reallocations.
Unserviceable Secondary Item Control Activity Assets, (01062016, November 9, 2001)	A.1. The Air Force Materiel Command Director of Logistics should:	Finalize and issue the revised Air Force Manual 23-110 requiring personnel to identify and timely return secondary items to the primary control activity.
	B.1. The Air Force Materiel Command Director of Logistics should:	Finalize and issue the revised Air Force Manual 23-110 requiring personnel to research and validate credit due on repairable items returned to the primary control activity.

**Appendix IV  
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<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
Inventory management	Process	Concurred, closed, implemented
	Policy	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Policy	Concurred, closed, implemented
	Management Oversight	Concurred, closed, implemented
Inventory management	Management oversight	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
	Management oversight	Concurred closed, implemented
	Process	Concurred, closed, implemented
Inventory management	Policy	Concurred, closed, implemented
	Policy	Concurred, closed, implemented

Source: Air Force Audit Agency.

# Supply Chain Management: Summary of Naval Audit Service Report Recommendations

Report title, number, date	Recommendations
Hazardous Material Inventory Requirements Determination and Offloads on Aircraft Carriers and Amphibious Assault Ships (N2005-0027, February 17, 2005)	<p>The Office of the Commander, U.S. Fleet Forces Command should:</p> <ol style="list-style-type: none"> <li>1. Emphasize Chief of Naval Operations requirements that all ships maintain proper inventory levels based on authorized allowances and demand history.</li> <li>2. Emphasize Chief of Naval Operations and Naval Supply Systems Command internal control procedures to ensure inventory levels in the Hazardous Material Minimization Centers remain within the authorized limits, and return material exceeding requisitioning objectives to the supply system.</li> <li>3. Emphasize Chief of Naval Operations requirements that ships requisition only hazardous materials authorized for shipboard use, and return unauthorized material to the supply system.</li> <li>4. Enforce Naval Supply Systems Command requirements that ships prepare and submit Ship's Hazardous Material List Feedback Reports and Allowance Change Requests, whenever required.</li> </ol>
The Naval Supply Systems Command should:	<ol style="list-style-type: none"> <li>5. Establish an interface between authorized allowance documents and the Type-specific Ship's Hazardous Material List to ensure that hazardous material items authorized for shipboard use also have authorized allowance levels.</li> <li>6. Establish procedures to validate Hazardous Material Minimization Centers low and high inventory levels with those inventory levels in Relational Supply for the same items to ensure Hazardous Material Minimization Centers high limits do not exceed Relational Supply high limits.</li> <li>7. Establish procedures that require unissued hazardous material in the Hazardous Material Minimization Centers be counted as on-hand inventory before reordering Relational Supply stock.</li> <li>8. Develop and implement a hazardous material usage database that accumulates and retains data on supply system hazardous material ordered and used by the ship for use in planning future hazardous material requirements.</li> <li>9. Establish procedures to ensure that Enhanced Consolidated Hazardous Material Reutilization and Inventory management Program Afloat Program technicians perform tasks in accordance with the Enhanced Consolidated Hazardous Material Reutilization and Inventory management Program Afloat Program Desk Guide.</li> <li>10. Establish a working group to determine the feasibility for the development of ship-specific allowance-control documents for all items managed in the Hazardous Material Minimization Centers not already on an approved allowance list.</li> </ol>
The Office of the Commander, U.S. Fleet Forces Command should:	<ol style="list-style-type: none"> <li>11. Return the prohibited undesignated hazardous material items to the supply system for credit.</li> </ol>

**Appendix V  
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<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
Inventory management	Management oversight	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Process	Concurred, open
	Process	Concurred, closed, implemented
	Planning	Concurred, closed, implemented
	Process	Concurred, closed, implemented

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Report title, number, date	Recommendations
The Naval Sea Systems Command, with the assistance of Naval Supply Systems Command should:	12. Establish formal written guidance stating what system allowance list hazardous material is designated for and their current quantities allowed. Guidance should include requisitioning metrics that cross check hazardous material items against designated system designs as generated by Naval Inventory Control Point and Naval Surface Warfare Center Carderock Division – Ship System Engineering Station, technical manuals, and one-time General Use Consumable List.
The Office of the Supervisor of Shipbuilding, Conversion, and Repair Newport News should:	13. Clarify Naval Sea Systems Command Instruction 4441.7B/Naval Supply Systems Command Instruction 4441.29A to measure the quality of hazardous material load outs instead of the quantity or percentage of hazardous material loaded on ships.
The Naval Supply Systems Command should:	14. Discontinue requisitioning aircraft cleaning, maintenance, and preservation hazardous material for actual aircraft before Post Shakedown Availability.  15. Establish formal written local procedures that require detailed support, justification, and audit documentation for system validation on all hazardous material requisitions received from ship personnel after Load Coordinated Shipboard Allowance List delivery. This support should indicate the specific system the item is required for and the document numbers for Preventative Maintenance Schedule, Maintenance Request Cards, Allowance Equipage List, Allowance Parts List, General Use Consumables List, and technical manuals. An Allowance Change Request should be included, if applicable.  16. Use Outfitting Support Activity when requisitioning all hazardous material items for ship initial outfitting to minimize local procurement as required by the Navy Outfitting Program Manual of September 2002.
Aircraft Engine/Module Containers (N2004-0029, February 18, 2004)	17. Enforce compliance with established guidance for material offloads to ensure a uniform use of DD Form 1348 documents among ships and the proper processing of Transaction Item Reporting documents to ensure inventory accuracy.  18. Update the Enhanced Consolidated Hazardous Material Reutilization and Inventory management Program Afloat Program Desk Guide to include specific requirements for the Enhanced Consolidated Hazardous Material Reutilization and Inventory management Program Afloat Program technician when offloading Naval Supply Systems Command-owned hazardous material.  19. In coordination with Naval Air Systems Command, update policy and procedures issued to field activities on managing and reporting aircraft engine/module container inventory.  20. Require Fleet activities to provide a daily transaction item report of all intra-activity receipts and issues of engine/module containers to item managers.  21. Establish controls to ensure containers are not procured in excess of requirements.



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<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
	Policy	Concurred, closed, implemented
	Policy	Concurred, open
	Process	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
	Policy	Concurred, closed, implemented
Inventory management	Policy	Concurred, closed, implemented
	Management oversight	Nonconcurrent, closed, implemented
	Management oversight	Concurred, closed, implemented

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Report title, number, date	Recommendations
	4. Include the Aircraft Engine Container Program as an assessable unit in Naval Inventory Control Point's Management Control Program.
The Naval Air Systems Command should:	5. Fully fund the engine/module repair container program in accordance with requirements generated by Naval Inventory Control Point.
	6. Report any engine/module containers costing \$5,000 or more in the Defense Property Accounting System.
The Naval Inventory Control Point and Naval Air Systems Command should:	7. Require Naval Aviation Depots, Aircraft Intermediate Maintenance Depots, and Fleet activities to perform periodic inventories of engine/module containers, and report the results to Naval Inventory Control Point's item managers.
The Norway Air-Landed Marine Expeditionary Brigade Prepositioning Program (N2003-0079, September 2, 2003)	1. Terminate the Norway Air-Landed Marine Expeditionary Brigade program.
	2. Prepare a comprehensive statement encompassing disposal costs, equipment condition, and status of outstanding procurements and repairs of the excess onhand ground equipment and supplies, and identify Norway Air-Landed Marine Expeditionary Brigade program items that would satisfy outstanding procurements and repairs for fiscal year 2003 and the out years.
	3. Cancel the planned modernization procurements associated with the replacement of Norway Air-Landed Marine Expeditionary Brigade equipment, subject to negotiated termination costs for one of the six modernization projects.
	4. Cancel all procurements that replenish Norway Air-Landed Marine Expeditionary Brigade preposition inventory shortages.
Department of the Navy Aircraft Engine and Component Requirements Determination Process (N2003-0041, April 29, 2003)	1. Perform analyses to establish validated engine readiness requirements, incorporate ready-for-training engine readiness rates for training aircraft engines, and establish separate requirements for different categories of aircraft (such as combat, support, and training).
	2. Formally document the engine requirements and supporting rationale in Department of the Navy guidance.
The Deputy Chief of Naval Operations, Fleet Readiness and Logistics should:	3. Coordinate with Naval Inventory Control Point and Naval Air Systems Command to require more realistic parameter inputs to the Retail Inventory Model for Aviation while encouraging engine maintenance strategies that will ultimately reduce turn around time and increase reliability (mean time between removal).
	4. Issue written guidance to assign responsibility for calculating engine war reserve requirements and the need to compute additional war reserve engine/module requirements.
The Deputy Chief of Naval Operations, Warfare Requirements and Programs should:	5. Adjust out-year F414-GE-400 engine and module procurement requirements (to be reflected in the President's 2004 Budget) to agree with Naval Inventory Control Point's revised Baseline Assessment Memorandum 2004 requirements.

**Appendix V  
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Recommendations**

<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
	Management oversight	Concurred, closed, implemented
	Process	Concurred, closed, implemented
	Management oversight	Concurred, open
	Management oversight	Concurred, closed, implemented
Inventory management	Process	Nonconcurrent, closed, implemented
	Process	Nonconcurrent, closed, implemented
	Process	Nonconcurrent, closed, implemented
	Process	Nonconcurrent, closed, implemented
Requirements forecasting	Process	Concurred, closed, implemented
	Process	Partially concurred, closed, implemented
	Process	Concurred, closed, implemented
	Policy	Concurred, closed, implemented
	Process	Concurred, closed, implemented

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Report title, number, date	Recommendations
The Commander, Naval Inventory Control Point should:	6. Reiterate Secretary of the Navy policy that documentation supporting official Baseline Assessment Memorandum submissions be retained for no less than 2 years.
The Deputy Chief of Naval Operations, Fleet Readiness and Logistics should:	7. In coordination with Deputy Chief of Naval Operations, Warfare Requirements and Programs, establish policy and adjust the procurement strategy for F414-GE-400 engines and modules to procure (based on current audit analyses) approximately 30 percent whole engines and 70 percent separate engine modules and thereby improve the engine/module repair capability.  8. Issue guidance requiring Naval Air Systems Command to determine, and annually reevaluate, the engine-to-module procurement mix for the F414-GE-400.
The Commander, Naval Air Systems Command should:	9. Reduce out-year AE1107C spare engine procurement by 12 (changed to 8 after receipt of management comments) through fiscal year 2008.  10. Adhere to the Chief of Naval Operations-approved model (Retail Inventory Model for Aviation) for calculations of spare engine requirements.
The Deputy Chief of Naval Operations, Warfare Requirements and Programs should:	11. Adjust planned out-year Aircraft Procurement, Navy-6 (APN-6) procurement requirements to reduce the quantities of T700-401C Cold and Power Turbine Modules by 10 each.
Marine Corps Equipment Deployment Planning (N2002-0054, June 12, 2002)	The Commandant of the Marine Corps should:  1. Validate the Time-Phased Force Deployment Database equipment requirements and determine how the Marine Corps will source (make available) the equipment required and determine if the equipment required is on the unit's table of equipment.  2. Evaluate the Asset Tracking Logistics and Supply System II+ to determine if it adequately meets user needs and, if not, take sufficient action to correct identified deficiencies.  3. Perform onsite technical assessments to determine the extent of required maintenance/repair.  4. Provide dedicated organic or contract resources to reduce maintenance backlogs.  5. Establish an acceptable level of noncombat deadline equipment relative to the total combat deadline equipment and total equipment possessed and report outside the unit to the Marine Expeditionary Force commander. This would help ensure that the extent of nonmajor maintenance/repair requirements receives appropriate visibility and support requests for resources to reduce maintenance backlogs.

**Appendix V  
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Recommendations**

<b>Focus area</b>	<b>Theme</b>	<b>Status of recommendations</b>
	Policy	Concurred, closed, implemented
	Policy	Concurred, closed, implemented
	Policy	Concurred, closed, implemented
	Process	Partially concurred, closed, implemented
	Process	Partially concurred, closed, implemented
	Process	Concurred, closed, implemented
Requirements forecasting	Process	Concurred, closed, implemented
	Management oversight	Concurred, closed, implemented
	Process	Nonconcurred, closed, implemented
	Process	Concurred, closed, implemented
	Process	Concurred, open

Source: Naval Audit Service.

# Supply Chain Management: Summary of Non-audit Organization Report Recommendations

Report title, author, date	Recommendations	Focus area	Theme
<p>Defense Science Board Summer Study on Transformation: A Progress Assessment, Volume 1</p> <p>Office of the Under Secretary of Defense For Acquisition, Technology, and Logistics (February 2006)</p>	<p>The Secretary of Defense should:</p>	All focus areas	Management oversight
	<p>The Under Secretary of Defense for Acquisition, Technology, and Logistics should:</p>	All focus areas	Management oversight
<p>Sustainment of Army Forces in Operation Iraqi Freedom</p> <p>Major Findings and Recommendations RAND (2005)</p>	<p>Specific recommendations made for tactical supply, theater distribution, strategic distribution, national- and theater-level supply, and command and control.</p> <p>Overarching recommendations:</p>	Distribution	Processes, performance tracking

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Report title, author, date	Recommendations	Focus area	Theme
	<ul style="list-style-type: none"> <li>Logistics information systems need adequate levels of resources to provide non-line-of-sight mobile communications and effective logistics situational awareness in order to make new and emerging operational and logistics concepts feasible.</li> </ul>	Distribution	Planning
	<ul style="list-style-type: none"> <li>Deliberate and contingency planning should include improved consideration of the logistics resource requirements necessary to execute sustained stability and support operations.</li> </ul>	Distribution	Planning
	<ul style="list-style-type: none"> <li>Resourcing processes should consider uncertainty and implications of capacity shortages.</li> <li>The flexibility of financial and resource allocation processes to rapidly respond to the need for dramatic changes in logistics capacity that sometimes arises from operational forecast error should be improved.</li> <li>Logistics resource decisions should more explicitly consider how much buffer capacity should be provided in order to handle typical operational and demand variability without the development of large backlogs.</li> </ul>	Distribution	Planning
	<ul style="list-style-type: none"> <li>Joint training should be extended to exercise the entire logistics system.</li> <li>The Army should review all wartime and contingency processes from the tactical to the national level to determine which are not exercised in training with all requisite joint organizations participating. Such processes range from setting up tactical logistics information systems to planning a theater distribution architecture to determining national level spare parts distribution center capacity requirements.</li> <li>Review which tasks and processes do not have adequate doctrine and mission training plans.</li> </ul>	Distribution	Processes
	<ul style="list-style-type: none"> <li>Planning tools and organizational structures need to better support expeditionary operations.</li> <li>Automation should more effectively support the identification of logistics unit requirements to support a given operation.</li> <li>Unit "building blocks" should be the right size and modular to quickly and effectively provide initial theater capabilities and then to facilitate the seamless ramp-up of capacity and capability as a deployment matures.</li> </ul>	Distribution	Planning

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<b>Report title, author, date</b>	<b>Recommendations</b>	<b>Focus area</b>	<b>Theme</b>
Logistics Transformation: Next Steps to Interoperability and Alignment  Lexington Institute (July 2005)	Conclusions and recommendations fall into three categories: programmatic, constructive, and operational.	All focus areas	Management oversight
	<ul style="list-style-type: none"> <li>Existing funding mechanisms act as disincentives for joint logistics transformation and interoperability. If interoperability is important to transformation, the Office of the Secretary of Defense must fund it adequately and specifically, not just the component systems and organizations being integrated. Services and agencies will be reluctant to act against their own financial interest.</li> </ul>		
	<ul style="list-style-type: none"> <li>Title 10 can be used to prevent joint logistics transformation and interoperability, and needs clarification. If a Logistics Command is created, Title 10 may need to be amended.</li> </ul>		
	<ul style="list-style-type: none"> <li>Expanded Office of the Secretary of Defense leadership (beyond technical standardization) for joint logistics transformation is necessary to effect change. The Logistics Systems Modernization office efforts to realign business processes and to prioritize rapid return on investment initiatives are a good start and can be expanded.</li> </ul>	All focus areas	Management oversight



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Report title, author, date	Recommendations	Focus area	Theme
	<ul style="list-style-type: none"> <li>• A 4-Star Combatant Command – U.S. Logistics Command – in charge of logistics needs to be created, following the example of the U.S. Strategic Command. The responsibilities and enforcement powers of this Logistics Command may be significantly different than the U.S. Strategic Command model and require clear specification. Some responsibilities that this Command could undertake include:               <ul style="list-style-type: none"> <li>• Defining the distribution authorities, scenarios, business processes and process ownership at the “hand-off” from U.S. Transportation Command distribution to services distribution.</li> <li>• Developing doctrine and implementing joint business processes and rules for logistics interoperability between services, prioritizing known problem and conflict areas, and assigning ownership of business processes across the broader Supply Chain Operations Reference-defined supply chain.</li> <li>• Identifying budget requirements for logistics interoperability, and requiring logistics interoperability to be adequately funded and planned as part of the acquisition process of any logistics systems.</li> <li>• Accelerating interoperability testing of all Global Combat Support System implementations both within and across services and agencies, with a spiral development methodology.</li> <li>• Coordinating and communicating various isolated ongoing efforts in defining logistics Extensible Markup Language schema, business processes, databases, published web services and other joint logistics projects, with the Integrated Data Environment and Enterprise Resource Planning programs underway in the services and agencies. Where conflicts, redundancies or gaps are identified, the U.S. Logistics Command may function as an “honest broker” to develop an interoperable solution, or as a “sheriff” to enforce an interoperable solution.</li> </ul> </li> </ul>	All focus areas	Management oversight

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Report title, author, date	Recommendations	Focus area	Theme
Constructive conclusions and recommendations include:	<ul style="list-style-type: none"> <li>• A single logistics business process modeling needs to be created as a common reference, with the understanding that the modeling effort will be descriptive rather than prescriptive, due to Services' autonomy and the need to continue migrating legacy systems and building new logistics capability. Since all Services, Agencies and the Office of the Secretary of Defense are employing the Supply Chain Operations Reference Model for logistics, some degree of commonality should already exist. If the process modeling effort can build on existing U.S. Transportation Command/Defense Logistics Agency business process models, and incorporate business process models from each of the Services, it may be available earlier and used more effectively. A "greenfield" effort may have limited utility and never get beyond the requirements stage. Efforts to align logistics data are underway within the Joint Staff Logistics Directorate, and in the ongoing U.S. Transportation Command/Defense Logistics Agency modeling. The touchpoints between these alignment efforts and the actual Enterprise Resource Planning implementations within the services and joint agencies could be expanded. A variety of "to-be" logistics business process models must be generated to meet the requirements of varying future war fighting scenarios. For example, loss of space assets or enemy use of electromagnetic pulse will create significant constraints on logistics interoperability, and contingency business processes should be designed for those scenarios.</li> </ul>	All focus areas	Processes
	<ul style="list-style-type: none"> <li>• The logistics business process must be defined from end-to-end at the DOD level, and then Services and Agencies must assess how they will or will not align with those processes. Alignment, interoperability and jointness are consensus goals for system development, but some Service decisions not aligned with specific DOD level processes may provide net benefits and increase the robustness of the overall logistics System of Systems (the federated supply chain, or loosely-coupled approach). The ongoing questions that the U.S. Logistics Command will address are these: Should the default state for interoperability be alignment, with non-alignment developed as a scenario-based exception? Or should the default state for interoperability be non-alignment, with occasional moments of alignment (specific data feeds of a finite duration)?</li> </ul>	All focus areas	Processes
Operational conclusions and recommendations include:	<ul style="list-style-type: none"> <li>• Some form of charter or statutory legislation is needed to prevent joint logistics transformation from backsliding into non-interoperable organizations and systems, when leadership changes.</li> </ul>	All focus areas	Policy
	<ul style="list-style-type: none"> <li>• Change management for joint logistics needs to be resourced specifically, in addition to current resources for logistics transformation within services and joint agencies.</li> </ul>	All focus areas	Management Oversight

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<b>Report title, author, date</b>	<b>Recommendations</b>	<b>Focus area</b>	<b>Theme</b>	
Beyond Goldwater-Nichols: U.S. Government and Defense Reform for a New Strategic Era - Phase 2 Report	The Beyond Goldwater-Nichols study team recommends:	<ul style="list-style-type: none"> <li>Fuse the logistics and transportation functions into an integrated U.S. Logistics Command.</li> </ul>	All focus areas	Management oversight
Center for Strategic and International Studies (July 2005)		<ul style="list-style-type: none"> <li>Implement the Beyond Goldwater-Nichols Phase I recommendation to merge much of the Joint Staff Directorate of Logistics with its Office of the Secretary of Defense counterpart, the Deputy Under Secretary of Defense (Logistics &amp; Material Readiness) into an office that reports to both the Under Secretary for Technology, Logistics, and Acquisition Policy.</li> </ul>	All focus areas	Management oversight
Evaluating the Security of the Global Containerized Supply Chain	Three recommendations suggest three complementary paths for improving the security of the global container supply chain while maintaining its efficiency:	<ul style="list-style-type: none"> <li>The public sector should seek to bolster the fault tolerance and resilience of the global container supply chain.</li> <li>The closure of a major port-for whatever reason-would have a significant effect on the U.S. economy. The federal government should lead the coordination and planning for such events for two reasons. First, the motivation of the private sector to allocate resources to such efforts is subject to the market failures of providing public goods. Second, the government will be responsible for assessing security and for decisions to close and reopen ports.</li> </ul>	Distribution	Policy
RAND (2004)		<ul style="list-style-type: none"> <li>Security efforts should address vulnerabilities along supply-chain network edges.</li> <li>Efforts to improve the security of the container shipping system continue to be focused on ports and facilities (although many ports around the world still failed to meet International Ship and Port Security Code guidelines even after the July 1, 2004, deadline.) Unfortunately, the route over which cargo travels is vast and difficult to secure. Measures to keep cargo secure while it is en route are essential to a comprehensive strategy to secure the global container supply chain.</li> </ul>	Distribution	Planning
		<ul style="list-style-type: none"> <li>Research and development should target new technologies for low-cost, high-volume remote sensing and scanning.</li> <li>Current sensor technologies to detect weapons or illegal shipments are expensive and typically impose significant delays on the logistics system. New detection technologies for remote scanning of explosives and radiation would provide valuable capabilities to improve the security of the container shipping system.</li> </ul>	Distribution	Planning

**Appendix VI  
Supply Chain Management: Summary of Non-  
audit Organization Report Recommendations**

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<b>Report title, author, date</b>	<b>Recommendations</b>	<b>Focus area</b>	<b>Theme</b>
Final Report: Intra-Theater Logistics Distribution in the CENTCOM AOR	Specific recommendations made for theater opening and logistics operations, Deployment Distribution Operation Center, Radio Frequency Identification and in-transit visibility	<ul style="list-style-type: none"> <li>• Doctrine and structure:</li> <li>• Codify in joint doctrine the distinction between joint theater level logistics and Army/Land component logistics requirements and the need for a joint theater-level logistics commander.</li> <li>• Document a Joint Theater Sustainment Command and assign to Combatant Commands.</li> </ul>	All focus areas  Management oversight
Army Science Board FY2004 Task Force (October 2004)		<ul style="list-style-type: none"> <li>• Implement useful practices of other services.</li> </ul>	All focus areas  Processes
		<ul style="list-style-type: none"> <li>• Don't preclude early use of Logistics Civilian Augmentation Program.</li> </ul>	All focus areas  Processes
		<ul style="list-style-type: none"> <li>• Complete a thorough business-based cost/benefit analysis of Radio Frequency Identification before spending more money on it.</li> </ul>	All focus areas  Planning
Objective Assessment of Logistics in Iraq	Summary of recommendations:	<ul style="list-style-type: none"> <li>• Make directive authority for the Combatant Command real. Joint doctrine must: <ul style="list-style-type: none"> <li>• Be prescriptive in its language, purging words like "should" and "attempt" and replacing them with specific direction.</li> <li>• Be joint and comprehensive. It must explicitly address the joint organizational structure and staffing, develop and institutionalize joint processes and procedures, and specifically require, not assume, the necessary communications infrastructure and information tools to support this vision.</li> <li>• Support an expeditionary logistics capability to enable rapid deployment and sustainment of flexible force structures in austere theaters around the globe.</li> <li>• Reconcile with the emerging concepts of net-centric warfare and sense and respond logistics, balancing past lessons with the needs for the future. Joint doctrine must be based on today's capabilities, not tomorrow's promises.</li> <li>• Continue to identify the combatant commander as the locus of control for logistics in support of deployed forces, and specify the tools, forces, processes, and technologies required from supporting commands.</li> </ul> </li> </ul>	Distribution  Management oversight
Deputy Under Secretary of Defense (Logistics and Materiel Readiness) and Joint Staff (JSJ4) Sponsored Assessment to Review the Effectiveness and Efficiency of Selected Aspects of Logistics Operations During Operation Iraqi Freedom (March 2004)			

**Appendix VI  
Supply Chain Management: Summary of Non-  
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Report title, author, date	Recommendations	Focus area	Theme
	<ul style="list-style-type: none"> <li>• Develop a true expeditionary logistics capability.</li> <li>• Develop logistics systems able to support expeditionary warfare. Logistics systems must be designed, tested, and developed to support a mobile, agile warfighter.</li> <li>• Logistics capabilities need to be native to an expeditionary unit for swift and agile deployment. The people, equipment, and systems that accompany these small, cohesive units must be able to integrate data within the services and commands as well as among the coalition partners.</li> <li>• Logistics communications planning and infrastructure are an integral part of any operation, and must be robust, fully capable, and deployable in both austere to developed environments. Planning and development of the required infrastructure must consider the issues of bandwidth, mobility, security and aggregation of logistics data.</li> </ul>	Distribution	Planning
	<ul style="list-style-type: none"> <li>• Retool the planning processes.</li> <li>• A follow-on replacement for the current Time-Phased Force and Deployment Data /Joint Operation Planning and Execution System process is required, with the necessary improvements in task structures and planning speed. This process should directly drive sustainment planning, including acquisition and distribution decisions.</li> <li>• The challenge of requirements identification and fulfillment in a deployed environment is a joint challenge. Planning tools must be developed that recognize and fuse the consumption of materiel and fulfillment of warfighter requirements across the joint force.</li> <li>• The speed and flexibility of future operations demand that a closer and more dynamic relationship be developed with suppliers in the industrial base and prime vendor partners.</li> </ul>	Distribution	Planning, Processes
	<ul style="list-style-type: none"> <li>• Create an integrated theater distribution architecture</li> <li>• Theater distribution capability must be embedded in a permanent organization within the theater or at least rapidly deployable to any global location. The balance of reserve forces and the implications of the activation cycle must be considered in the development of this organizational structure and manning.</li> <li>• The need for a joint in-theater distribution cross dock, staging, and break-bulk operation must be explicitly recognized in every Combatant Command Area of Responsibility. Rapid maneuver and task reorganization precludes a 100% “pure pallet” shipment. Retrograde and reverse logistics capabilities must also be embedded.</li> <li>• Leadership must recognize that the growth and development of “joint logisticians” who can operate and lead effectively in the theater environment will take time and effort, potentially altering established career progression plans.</li> </ul>	Distribution	Planning

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Report title, author, date	Recommendations	Focus area	Theme
	<ul style="list-style-type: none"> <li>• Resolve the technology issues.</li> <li>• Rationalize logistics systems. Current battlefield and deployment realities include the existence of multiple systems for logistics support. DOD must complete and deploy an integrated architecture, including operational, systems, technical, and data elements to streamline the systems capabilities to the joint warfighter, and manage the portfolio of systems to eliminate those that cannot support the future state.</li> <li>• Create visibility within logistics and supply systems that extends to the tactical units. Today's warfighting mission includes mobile expeditionary engagements. Support systems need to include the ability to communicate and synchronize with rear support units and systems 24 hours a day, 365 days a year in both austere and developed environments.</li> <li>• Ensure communications capability and availability for logistics, the environment. Logistics is an information-intensive function with constant requirements for updated information. Logistics support planning needs to include communications-level planning and should be completed before deployment.</li> </ul>	Distribution	Processes
	<ul style="list-style-type: none"> <li>• Development of the foundational role of the Distribution Process Owner.</li> <li>• The Distribution Process Owner concept must be implemented swiftly and should recognize the potential resource requirements in the near- and mid-term to complete this task. This is a necessary first step, addressing distribution challenges, and should facilitate the establishment of an integrated, end-to-end logistics architecture, eliminating the confederation of stovepipes.</li> <li>• Financial and transactional systems should not be a hindrance to going to war: They must be designed so that the transition from peace to war is seamless; the ability to employ these systems in a deployed environment must take precedence over garrison requirements. More emphasis needs to be placed on managing retrograde and repairables.</li> <li>• Processes must be synchronized and integrated across the stovepipes.</li> </ul>	Distribution	Planning, Processes

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Supply Chain Management: Summary of Non-  
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Report title, author, date	Recommendations	Focus area	Theme
	<ul style="list-style-type: none"> <li>• Synchronize the chain: from Continental United States to Area of Responsibility.</li> <li>• Capacities across the distribution nodes and distribution links, and across the entire logistics network but particularly in theater, must be reviewed, understood, and actively managed. The ability to determine and manage practical and accurate throughput capacities for air and seaports, along with an understanding of the underlying commercial infrastructure is essential to future planning. The ability to evaluate possible scenarios for host nation support is also critical.</li> </ul>	Distribution	Processes
	<ul style="list-style-type: none"> <li>• Deploy Performance Based Logistics agreements more comprehensively.</li> <li>• Standardize Performance Based Logistics implementation. Implementation of Performance Based Logistics must become more standard to prevent confusion with other contractor support services and activities. To the extent possible, common metrics and terms must be developed and applied.</li> <li>• Implement Performance Based Logistics across total weapons systems.</li> <li>• Support broad end-to-end application. Much integration and synchronization is required to ensure full system synchronization of performance metrics but the end capability of tracking total system performance to both cost and “power by the hour” is a significant potential advancement in warfighter support.</li> </ul>	Distribution	Processes, performance tracking
	<ul style="list-style-type: none"> <li>• Make Radio Frequency Identification real.</li> <li>• Extend Radio Frequency Identification to the warfighter. Asset tracking system capabilities, infrastructure, and support must extend to the farthest reaches of the logistics supply chain, even in austere environments.</li> </ul>	Asset Visibility	Planning
TRANSCOM-DLA Task Group  Defense Business Practice Implementation Board (June 17, 2003)	The task group developed 3 summary recommendations:	Distribution	Management oversight
	<ul style="list-style-type: none"> <li>• Do not combine U.S. Transportation Command and Defense Logistics Agency.</li> <li>• Roles, missions and competencies of the two organizations are too diverse to create a constructive combination.</li> <li>• Organizational merger would not significantly facilitate broader transformational objectives of supply chain integration.</li> <li>• Both organizations perform unique activities/functions in the supply chain. The real problem is not that the two organizations are separate, but that their activities are not well integrated.</li> </ul>		

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Supply Chain Management: Summary of Non-  
audit Organization Report Recommendations**

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Report title, author, date	Recommendations	Focus area	Theme
	<ul style="list-style-type: none"> <li>• Elevate leadership for Department of Defense global supplies chain integration.</li> <li>• Designate a new Under Secretary of Defense for Global Supply Chain Integration reporting directly to the Secretary of Defense.</li> <li>• Ensure the Global Supply Chain Integration is a civilian with established credibility in the field of supply chain management.</li> <li>• Establish the Global Supply Chain Integration's appointment as a fixed term for a minimum of 6 years.</li> <li>• Direct the U.S. Transportation Command and the Defense Logistics Agency to report to Global Supply Chain Integration.</li> <li>• Create a working relationship for the Global Supply Chain Integration with the Chairman of the Joint Chiefs of Staff.</li> <li>• Build the Global Supply Chain Integration's staff from existing staffs in the Office of the Secretary of Defense, the U.S. Transportation Command, and the Defense Logistics Agency.</li> </ul>	All focus areas	Management oversight
	<ul style="list-style-type: none"> <li>• Empower a Global Supply Chain Integrator with the required authority and control to effect integration. The Global Supply Chain Integrator should be granted authority to:               <ul style="list-style-type: none"> <li>• Build end-to-end integrated supply chains through the establishment of policies and procedures.</li> <li>• Enable privatization and partnering with global commercial distributors.</li> <li>• Oversee program management decisions related to major systems vendor support.</li> <li>• Establish/authorize organizations and processes to control flow during deployment/wartime scenarios.</li> <li>• Control budgetary decisions affecting the U. S. Transportation Command, the Defense Logistics Agency, and the distribution budgets of the services.</li> </ul> </li> </ul>	All focus areas	Management oversight

Source: Defense Science Board, RAND, Lexington Institute, Center for Strategic and International Studies, Army Science Board FY2004 Task Force, Deputy Under Secretary of Defense and Joint Staff, Defense Business Practice Implementation Board.



# Comments from the Department of Defense



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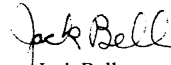
January 9, 2007

Mr. William Solis  
Director, Defense Capabilities and Management  
U.S. Government Accountability Office  
Washington, DC 20548

Dear Mr. Solis:

This is the Department of Defense (DoD) response to the GAO draft report GAO-07-234, "DOD'S HIGH-RISK AREAS: Progress Made Implementing Supply Chain Management Recommendations, But Full Extent of Improvement Unknown," dated November 29, 2006 (GAO Code 350780). The GAO draft report recommends that DoD complete its logistics strategy and develop and implement outcome-focused performance metrics and cost metrics for supply chain management. The DoD concurs with both recommendations 1 and 2 in the report.

Detailed comments on the draft report recommendations are included in the enclosure. The DoD appreciates the opportunity to comment on the draft report.

  
Jack Bell

Enclosure:  
As stated



GAO DRAFT REPORT - DATED NOVEMBER 29, 2006  
GAO CODE 350780/GAO-07-234

**“DOD’S HIGH-RISK AREAS: Progress Made Implementing Supply Chain Management Recommendations, But Full Extent of Improvement Unknown”**

**DEPARTMENT OF DEFENSE COMMENTS  
TO THE RECOMMENDATIONS**

**RECOMMENDATION 1:** The GAO recommends that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology, and Logistics to complete the development of a comprehensive, integrated logistics strategy that is aligned with other Defense business transformation efforts, including the Enterprise Transition Plan. To facilitate completion of the strategy, DoD should establish a specific target date for its completion. Further, DoD should take steps as appropriate to ensure the supply chain management improvement plan and component-level logistics plans are synchronized with the Department’s overall logistics strategy. (Pages 18-19/GAO Draft Report)

**DOD RESPONSE:** Concur. The DoD logistics strategy is underway and is aligned with other Defense business transformation efforts, including the Enterprise Transition Plan. The ODUSD(L&MR) and the Joint Staff, J4, are currently in the process of completing a logistics portfolio test case. This test case will ensure the appropriate capabilities are considered in completion of the logistics strategy. The test case is estimated to be complete in the Spring 2007 and the logistics strategy has an estimated completion date of 6 months after completion of the test case.

**RECOMMENDATION 2:** The GAO recommends that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology, and Logistics to develop, implement, and monitor outcome-focused performance and cost metrics for all the individual initiatives in the supply chain management improvement plan as well as for the plan’s focus areas of requirements forecasting, asset visibility, and materiel distribution. (Page 18-19/GAO Draft Report)

**DOD RESPONSE:** Concur. The DoD has developed and implemented outcome-focused performance and cost metrics for logistics across the Department. However, more work needs to be accomplished in linking the outcome-metrics to the improvement achieved through completion of the initiatives and their impact on the focus areas of requirements forecasting, asset visibility, and materiel distribution. These linkages will be completed as part of the full implementation of each of the initiatives.

# GAO Contact and Staff Acknowledgments

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## GAO Contact

William M. Solis (202) 512-8365

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## Acknowledgments

In addition to the contacts named above, key contributors to this report were Thomas W. Gosling, Assistant Director, Susan C. Ditto, Amanda M. Leissoo, Marie A. Mak, and Janine M. Prybyla.

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