

DOCUMENT RESUME

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[The Navy's Programs for Intensified Management of Supply Items Need Improvement]. LCD-78-230; B-157373. August 9, 1978. 6 pp.

Report to Secretary, Department of the Navy; by Richard W. Gutmann, Director, Logistics and Communications Div.

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Contact: Logistics and Communications Div.

Budget Function: National Defense: Department of Defense - Military (except procurement & contracts) (051).

Organization Concerned: Department of Defense; Department of the Navy.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services.

The Navy's special programs for intensified management of material in the supply system have the objectives of expediting repairs of equipment components and modules and improving supply readiness. A study sought to determine if the programs were accomplishing their objectives and were cost effective. The study concentrated on the Closed Loop Aeronautical Management Program (CLAMP), developed by the Aviation Supply Office, which was designed to insure one-for-one exchange of repairable items, improve retrograde control, enforce system discipline, and identify failure causes for designated items. No formal cost-benefit analyses comparing alternative methods of achieving program objectives were made; the Navy had no benefit tracking system for evaluating the programs; and performance indicators did not conclusively demonstrate the programs' effectiveness. Recently, the Fleet Material Support Office was asked to develop a benefit tracking system, but it has not yet been approved. Service items were sometimes returned erroneously to a repair contractor, and other items were shipped to the wrong repair facility. The Secretary of the Navy should take action to expedite completion of an evaluation system to accurately measure benefits from management programs. (HTW)

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

LOGISTICS AND COMMUNICATIONS
DIVISION

B-157373

AUGUST 9, 1978

The Honorable
The Secretary of the Navy

Dear Mr. Secretary:

We have been studying the Navy's special programs for intensified management of material in the supply system to determine if the programs were accomplishing their objectives and were cost effective.

We found that (1) no formal cost-benefit analyses comparing alternative methods of achieving program objectives have been made, (2) the Navy has no benefit tracking system for evaluating the programs, and (3) existing performance indicators do not conclusively demonstrate the programs' effectiveness. About 3 years ago, the Fleet Material Support Office was asked to develop a benefit tracking system but it has not yet been approved.

We also noted instances where serviceable items of equipment were returned erroneously to a repair contractor and received costly unnecessary testing. Other items were shipped to the wrong repair facility and held for more than 3 months before being sent to the proper facility or returned to the shipper.

INTENSIFIED MANAGEMENT PROGRAMS

As weapons systems and equipment have grown more complex, supply and maintenance philosophies and procedures have changed significantly. Most systems and equipment now rely on repairable components and modules to achieve operational readiness. As a result, the number, inventory value, and importance of repairable items have grown.

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Due to the cost and criticality of certain of these items, the military services are spending more resources on intensified management programs in an effort to expedite repair cycle turn-around time and improve supply readiness. The Navy has several such programs covering items ranging from ballistic missile components to aeronautical and ships parts.

Our study was primarily concerned with the Closed Loop Aeronautical Management Program (CLAMP) developed by the Aviation Supply Office. CLAMP was designed to insure one-for-one exchange of repairable items, improve retrograde control, enforce system discipline, and identify failure causes for designated items. Each component is tracked by a manufacturer's serial number and document number through the retrograde shipment and repair cycles and back to operating sites. CLAMP applies to 9,400 of the 53,000 repairable items managed by the Aviation Supply Office. The operating budget for fiscal year 1978 was about \$13.2 million.

NO COST-BENEFIT ANALYSES

Although CLAMP has been in operation since 1973, no formal cost-benefit analyses of alternatives for achieving program objectives were made either before or after its inception. Such analyses would have allowed these objectives to be achieved at the lowest possible cost. Likewise, the Navy does not have an evaluation system which would indicate to management which of its several programs for intensified management is the most effective.

In October 1974, the Commander, Naval Supply Systems Command, asked the Fleet Material Support Office to develop a benefit tracking system for CLAMP and another intensified management program. However, this system, which will attempt to evaluate program effectiveness through a series of performance indicators, had not yet been approved at the time our field work was completed.

PERFORMANCE INDICATORS ARE INCONCLUSIVE

Performance indicators used by CLAMP officials to measure program effectiveness were inconclusive. We looked at two of the indicators--supply material availability and operational readiness.

Supply material availability

Supply material availability is the most commonly used measure of supply performance. This indicator measures the supply system's ability to satisfy requisitions with material already on hand.

The average availability rate for all CLAMP items generally was higher than the rate for non-CLAMP items between July 1975 and July 1977. However, the availability rate for CLAMP items dropped from 84 percent early in the 2-year period to 70 percent toward the end of the period, which closely approached the rate for non-CLAMP items. The non-CLAMP rate during the period fluctuated between 60 and 70 percent. We could not identify the reasons for the drop in CLAMP availability; however, the reduction did not appear to indicate an effective intensified management program.

Operational readiness

An aircraft which can be flown safely and achieve at least one of its primary missions is considered operationally ready.

Review of the operational readiness rates for the A-7 aircraft, the first item to be placed under CLAMP, showed no appreciable improvement in readiness since the aircraft went under the program. Aviation Supply Office officials said that much of the readiness problem was attributable to the engine, which is not a CLAMP item. Consequently, the aircraft's readiness rates may not indicate the true effectiveness of CLAMP.

The readiness rate of the AV-8A aircraft has improved some since going under CLAMP. However, the improvement did not begin for more than a year after the aircraft was placed under the program and may well be attributed to other intensified efforts to improve its performance.

Aviation Supply Office officials agreed that readiness rates do not accurately reflect CLAMP effectiveness.

In order to obtain a more accurate measure of CLAMP's effectiveness, we attempted to develop detailed data on a sampling of specific line items managed under the program.

We were unable to do this because historical data on the items' status before induction into CLAMP generally was not available. Without such detailed data, it would be extremely difficult to conclusively document the degree of effectiveness of the program.

SERVICEABLE COMPONENTS ERRONEOUSLY RETURNED FOR REPAIR

During a visit to a CLAMP contractor's plant, Defense Contract Administration Service and contractor representatives told us that serviceable components were being sent in erroneously for repair. The contractor tests the items at a cost of about \$1,000 a unit and then returns them to stock as ready for issue. The Defense Contract Administration Service representatives estimated that between 100 and 200 of these serviceable components were returned annually. They believed that the problem also existed at other contractors' plants.

Although this problem does not directly relate to CLAMP, we are bringing it to your attention to enable you to inquire further into the matter.

MISSHIPPED COMPONENTS

We noted two CLAMP items which had been shipped to the wrong contractor's plant. These items had been on hand for more than 3 months without being forwarded to the correct plant or returned to the shipper.

Contractor representatives told us that the facility receives about 12 such misdirected shipments a year. While this frequency may not indicate a serious problem, we believe the delay in forwarding misdirected shipments is counterproductive and indicates a weakness in the CLAMP system.

AGENCY COMMENTS

We discussed the need for an evaluation system with officials of the Naval Supply Systems Command. They informed us that while a formal economic justification study, such as would be required today, was not done before CLAMP was implemented, various aspects of the program had been analyzed on a less formal basis. They furnished documents which showed that cost analyses had been done both before and

after the program had been implemented. While these analyses did not consider alternative methods of accomplishing program objectives, they did provide data on the cost effectiveness of CLAMP.

Officials agreed that an ongoing evaluation system for CLAMP and other intensified management programs was needed and hoped that this need would be met by the system being developed by the Fleet Material Support Office.

CONCLUSIONS AND RECOMMENDATION

The absence of formal continuing cost-benefit analyses and the shortage of meaningful performance indicators makes it extremely difficult to assess the success of the intensified management programs. The Navy has no way of knowing (1) whether these programs are worth their considerable cost if it cannot identify and measure the benefits attributable to specific intensified management programs and (2) which of several programs independently designed to accomplish like objectives is the most effective.

The Fleet Material Support Office was asked to develop a benefit tracking system but the project has not been completed. To enable management to make needed program assessments, we recommend that the Secretary of the Navy take action to expedite completion of an evaluation system that will accurately measure benefits realized from the various management programs. To the extent possible, the system should compare supply performance data on specific items before and after they were inducted into the intensified management programs. Where meaningful historical data is not available, supply performance for program items should be compared to similar items not under the intensified management program.

As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

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We are sending copies of this letter report to the Director, Office of Management and Budget; the Secretary of Defense; and the chairmen of the appropriate congressional committees.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "R. W. Gutmann".

R. W. Gutmann
Director