

**REPORT TO
THE CONGRESS OF THE UNITED STATES**

**REVIEW OF SELECTED ACTIVITIES
IN THE
MANAGEMENT OF FOOD SUPPLY
BY THE
MILITARY SUBSISTENCE SUPPLY AGENCY
DEPARTMENT OF DEFENSE**



**BY
THE COMPTROLLER GENERAL OF THE UNITED STATES**

NOVEMBER 1961

TO THE READER:

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON 25

B-146700

NOV 16 1961

Honorable Sam Rayburn
Speaker of the House of Representatives

Dear Mr. Speaker:

Enclosed is our report on review of selected activities in the management of food supply by the Military Subsistence Supply Agency (MSSA), Chicago, Illinois, the Department of Defense's single manager for subsistence supply.

In our review, we found that MSSA was incurring unnecessary costs in the procurement and supply of foodstuffs. We identified about \$1 million in unnecessary costs, although we did not attempt to establish the full magnitude of the excess costs since MSSA agreed with us on the seriousness of the problems we identified and the need for corrective action. With respect to nonperishables, we found significant deficiencies in the policies and procedures used by MSSA's customers for computing requirements. This resulted in the use of items in less economical size container or type of pack, redistribution of stocks, and procurement subsequent to the planned seasonal buy. Since MSSA has no control over the computation of requirements, it does not possess the capability of determining the causes of its troubles and correcting them. Regarding perishables, excess costs resulted from MSSA's failure to charge commissary stores for transportation costs and from its use of distribution facilities in an uneconomical location.

During our review, MSSA took action to start adding the cost of transportation to the prices charged commissary stores; recovery of these costs will result in annual savings of about \$600,000. The Deputy Assistant Secretary of Defense (Supply and Services) in a letter dated July 6, 1961, advised us that the Department of Defense was taking action to implement our recommendations (1) to make MSSA responsible for the computation of the military services' requirements and (2) to determine the most economical location for a distribution facility.

The effectiveness of the action taken to transfer the responsibility for computation of the military services' replenishment requirements to MSSA will depend upon the manner in which the action is

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carried out. Accordingly, in subsequent reviews of food supply management, we plan to look into whether unnecessary and costly supply actions have been substantially reduced and whether work simplification, personnel reduction, and diversion of human resources from repetitive detailed work to management analysis of the forecasting process have been given maximum consideration.

This report is also being sent today to the President of the Senate. Copies are being sent to the President of the United States, the Secretary of Defense, and the Secretaries of the Army, Navy, and Air Force.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "W. M. Campbell".

Comptroller General
of the United States

Enclosure

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REPORT ON REVIEW
OF SELECTED ACTIVITIES
IN THE
MANAGEMENT OF FOOD SUPPLY
BY THE
MILITARY SUBSISTENCE SUPPLY AGENCY
DEPARTMENT OF DEFENSE

The General Accounting Office has made a review of selected activities in the management of food supply by the Military Subsistence Supply Agency, Chicago, Illinois, the Department of Defense's single manager for subsistence supply. In reviewing subsistence supply management, we concentrated on deficiencies in the systems for determining nonperishable subsistence requirements and for distributing perishables to customers which, in our opinion, materially affect the performance of the agency's mission. We did not make an over-all evaluation of subsistence supply management. Our review, completed in June 1960, was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67). The scope of our review is described on page 18.

BACKGROUND

Pursuant to the National Security Act of 1947, as amended (5 U.S.C. 171a), the Secretary of Defense designated the Secretary of the Army on May 3, 1956, as the single manager for subsistence, i.e., food for military personnel, within the Department of Defense. The Military Subsistence Supply Agency (MSSA) was

established on October 26, 1956, as the operating agency of the single manager for subsistence with responsibility for supplying food to military personnel. Under the immediate control of the Executive Director for Subsistence, MSSA receives data on world-wide requirements and requisitions from the United States Army, Air Force, Navy, and Marine Corps; determines the need for procurement after consideration of its available stocks; and accomplishes procurement at 10 regional offices and their permanent and temporary field offices. Procured foods are either shipped directly to customers or stored in depots and distribution points in anticipation of customer demands.

There are presently two supply systems and two separate requisitioning channels for subsistence in the continental United States, one for perishables and one for nonperishables. These different systems are dictated primarily by the type of commodity and required differences in methods of handling. Perishable subsistence requires decentralized operations close to the producing or market centers near the consumers and responsive to the seasonal quality and deterioration factors involved. On the other hand, nonperishable subsistence may be procured centrally and stored and distributed through normal distribution systems.

The majority of nonperishables are bought on the basis of estimated requirements furnished to Headquarters, MSSA, Chicago, Illinois, by the military services. Headquarters, MSSA, receives the requirements data from the following military activities:

1. Army Subsistence Center, Chicago, Illinois--Army and Air Force requirements.

2. Navy Subsistence Office, Washington, D.C.--Navy requirements.
3. United States Marine Corps, Washington, D.C.--Marine Corps requirements.

Army and Air Force requirements for nonperishables are centrally computed at the Army Subsistence Center and are based on foods planned to be served, estimated number of persons to be fed, procurement delivery leadtime, order and shipping time, operating level factors, and other factors. The Navy and Marine Corps requirements are based on the same general factors with the exception that a master food plan for future periods of time is not considered. This exclusion gives naval activities greater independence in planning meals than the Army and Air Force activities which generally follow a master feeding plan, although they are permitted to make limited changes.

The Navy nonperishable requirements determinations require special consideration of the arrival, departure, and movements of ships carrying large numbers of personnel in determining the quantities and positioning of stocks to be supplied by MSSA. Navy requirements are computed by approximately 53 individual activities and are consolidated by machine tabulation at the Navy Subsistence Office before they are sent to Headquarters, MSSA.

Army, Air Force, and Marine Corps requirements are centrally computed at the above respective locations.

Headquarters, MSSA, computes over-all requirements and directs appropriate regional headquarters to accomplish needed procurement. The 10 regional headquarters are located throughout the United States.

Financing is provided through the Subsistence Division of the Army Stock Fund. The stock fund, a revolving fund, pays for the costs of acquiring stock and charges its customers for such costs upon sale. Sales are made to customers at standard prices which include a surcharge to cover the costs of transportation and certain other operational costs. All surcharges are periodically adjusted to permit recovery of actual costs. Operating and maintenance costs are paid from funds appropriated by the Congress.

The following financial information indicates the magnitude of MSSA's activities.

Fiscal Year 1959

(In millions)

Sales		<u>\$698.7</u>
Purchases:		
Perishables	\$443.2	
Nonperishables	<u>249.7</u>	<u>\$692.9</u>
Inventory at June 30, 1959:		
Nonperishables	\$ 62.6	
Perishables	19.8	
Mobilization reserve	<u>32.2</u>	<u>\$114.6</u>
Transportation expense:		
First destination	\$ 7.0	
Second destination	<u>8.2</u>	<u>\$ 15.2</u>

A list of agency officials responsible for the administration of food supply within the Department of Defense is furnished as appendix I.

FINDINGS, RECOMMENDATIONS, AND AGENCY ACTIONS

Our review disclosed that MSSA was incurring unnecessary costs in the procurement and supply of foodstuffs. We identified about \$1 million in unnecessary costs, although we did not attempt to establish the full magnitude of the excess costs since MSSA agreed with us on the seriousness of the problems we identified and the need for corrective action. With respect to nonperishables, we found significant deficiencies in the policies and procedures used by MSSA's customers for computing requirements, and, because MSSA has no control over the computation of these requirements, it does not possess the capability of determining the causes of its troubles and correcting them. Regarding perishables, excess costs resulted from MSSA's failure to charge commissary stores for transportation costs and from its use of distribution facilities in an uneconomical location.

During our review, MSSA took action to start adding the cost of transportation to the prices charged commissary stores; recovery of these costs will result in annual savings of about \$600,000. The Deputy Assistant Secretary of Defense (Supply and Services) advised us that the Department of Defense was taking action to implement our recommendations (1) to make MSSA responsible for the computation of the military services' requirements and (2) to determine the most economical location for a distribution facility. A copy of this letter is appended as appendix II.

UNNECESSARY COSTS IN THE PROCUREMENT AND SUPPLY
OF NONPERISHABLE SUBSISTENCE

MSSA was incurring unnecessary costs in the procurement and supply of nonperishable food items primarily because of unreliable customer requirement forecasts. These costs were incurred through substitution of items in less economical size container or type of pack, redistribution of stocks, and procurement subsequent to the planned seasonal buy. We brought our examples of uneconomical supply actions to the attention of MSSA, and, because MSSA agreed with us that the problem of unreliable customers' requirements data was serious enough to require immediate attention, we did not attempt to develop the full magnitude of the excessive costs incurred.

The following summary of uneconomical supply actions taken by MSSA in the supply of tomato catsup is one of the more serious examples we identified. These actions resulted from unreliable customers' requirements data. Our review disclosed that over \$900,000 worth of catsup in the wrong size container or type of pack was procured during fiscal years 1958 and 1959. An additional procurement of \$178,000 was canceled as a result of our disclosure that the catsup was not needed in the type of container ordered. MSSA utilized the catsup in filling needs that are normally satisfied through use of a more economical size container or type of pack, but this resulted in additional costs of over \$200,000. Furthermore, \$12,000 in transportation costs was incurred to redistribute some of the catsup. Details regarding these actions are as follows:

1. As a result of procuring too much catsup in 14-ounce bottles and not enough in No. 10 cans (7.14 pounds) in fiscal year 1958, MSSA authorized the substitution of 14-ounce bottles to fill customers' requisitions for No. 10 cans on a pound-for-pound basis until the excess supply was disposed of. Since the additional cost to procure catsup in 14-ounce bottles is about 5 cents a pound, substitution of the supply of over 3.1 million pounds of catsup in 14-ounce bottles resulted in additional cost of \$154,000.
2. In fiscal year 1959, the above situation was reversed and too much catsup in No. 10 cans was to be procured. After we disclosed the failure of the Army Subsistence Center to forecast its needs in terms of the proper container size, MSSA was able to cancel procurement of over 1.8 million pounds of catsup in No. 10 cans valued at \$178,000.
3. Because too much catsup in export pack and not enough in domestic pack was procured for several depots in fiscal year 1959, stocks in export packs were substituted to fill customers' requisitions for domestic packs. Based on the difference in cost between procuring catsup in export and domestic pack, the substitution of over 3.5 million pounds of catsup in export pack for domestic pack resulted in additional costs of \$55,000.
4. In addition to the above unnecessary costs, during fiscal year 1959 over 1.4 million pounds of catsup that was excess at Fort Worth General Depot had to be redistributed to Memphis General Depot. We estimate that the cost of transporting this catsup between the two depots was over \$12,000.

One or more of the above types of uneconomical actions occurred in each of the food items we selected for review. In addition, our tests disclosed that understated customer requirements resulted in insufficient procurement during the normal buying season and that supplemental procurements were required at prices higher than prices obtained during the normal buying season. For instance, MSSA's purchase in June 1958 of cherries was insufficient and 927,000 pounds, or about 14 percent of the regular buy, had to be procured from producers in September 1958. The additional procurements cost about \$9,670 more than the same amount would have cost if bought in June because of a 1-cent increase per

pound. MSSA informed us that it previously had to authorize its 10 market centers to procure cherries in small quantities from local vendors because of understated customers' requirements. Since records of small quantity procurement of cherries from local vendors were not readily available, we tested recent small quantity supplementary procurements of tomatoes at one market center and found that procurements totaling \$8,800 cost at least \$2,300 more than the cost of purchases from producers made in season. The causes of this uneconomical practice are described below.

Causes of uneconomical supply actions

Our examination of customers' requirements forecasts identified several significant deficiencies that are causing the uneconomical supply actions by MSSA. The major deficiencies with an example for each are discussed below.

1. Failure to distinguish requirements properly by size of container

The failure of the customers to forecast requirements in the proper size or container contributed to MSSA's overprocurement or underprocurement of tomato catsup, peas, figs, tomatoes, and cherries. For example, requirements for tomato catsup used as the basis for the supplemental procurement of No. 10 cans in the latter part of fiscal year 1959 as described above should have been forecast by the Army Subsistence Center in terms of both No. 10 cans and 14-ounce bottles, since where units are small and storage facilities are limited the use of the No. 10 can could result in waste. However, the requirements were shown entirely in terms of No. 10 cans because only a consumption factor for No. 10 cans had

been developed. This resulted in overstating the requirements for No. 10 cans; however, as noted on page 7, MSSA was able to cancel procurement of over 1.8 million pounds of catsup in No. 10 cans valued at \$178,000 after we called this deficiency to its attention.

2. Use of obsolete data

Example: Army and Air Force requirements for numerous canned fruits and vegetables covering a period beginning January 1, 1959, submitted by the Army Subsistence Center subsequent to the annual buy were a resubmittal of previous forecasts without recognition that factors used in computing previous forecasts had changed in the interim. For instance, we noted (1) decreases in feeding strengths at 3 major Army commands ranging from 21 to 28 percent, (2) increases in 3 Air Force commands, as high as 76 percent in one instance, and (3) a decrease of an item consumption allowance of 50 percent. We tested 15 items and found that requirements were misstated by the Army Subsistence Center for 10 items (catsup, tomatoes, lima beans, plums, snap beans, blackberries, tomato juice, sliced pineapple, pears, and tea). The following tabulation sets forth a few examples that illustrate the effects of the use of obsolete data rather than the then current data.

<u>Item</u> <u>(No. 10 can)</u>	<u>Forecast needs (in thousand pounds)</u>		<u>Difference</u>	<u>Percent</u>
	<u>Based on</u> <u>obsolete</u> <u>data</u>	<u>Based on</u> <u>then current</u> <u>data</u>		
Plums	1,313	2,009	696	53
Blackberries	198	294	96	48.5
Pears	10,426	11,018	592	5.6

3. Failure to submit forecasts on time

Example: Our review of forecast submissions due on July 5, 1958, disclosed that MSSA did not receive them from the Army and Air Force until July 31 and from the Navy until August 28, 1958. These forecasts were received too late, and MSSA had to use previously submitted data that were 3 or more months old. The effect of MSSA's use of the old data is illustrated by the understatement of requirements and procurement for canned tomatoes for fiscal year 1959.

<u>Item</u>	<u>Understatement or overstatement (-)</u> <u>in thousands of pounds</u>			
	<u>Army</u>	<u>Air Force</u>	<u>Navy</u>	<u>Net total</u>
No. 10 can, domestic pack	11	3	3,525	3,539
No. 10 can, overseas pack	1,020	-101	1,809	2,728
No. 303 can, domestic pack	4	-3	1,202	1,203
No. 303 can, overseas pack	-207	26	159	<u>-22</u>
Net understatement				<u>7,448</u>

The understatement of requirements contributed to the supplementary procurement from producers of about 10.3 million pounds of tomatoes during fiscal year 1959 and additional small quantity supplementary procurements at greater cost as illustrated on page 8 of this report.

4. Use of arbitrary adjustments

Example: The Army Subsistence Center reduced Army and Air Force forecasts for red sour cherries for a period beginning April 1958 by 25 percent despite the fact that previous forecasts were substantially under subsequent issues. We were unable to obtain an explanation for this adjustment, but we did determine that it contributed to additional supply costs. For instance, this caused

the supplementary procurement of cherries in September 1958, as discussed on page 7, at an additional cost of \$9,670.

5. Failure to forecast needs for delivery in the proper time period

Example: Our examination of requirements for 5 food items for the first 3 quarters of calendar year 1959 submitted by 27 of the 53 pertinent naval activities to the Naval Subsistence Office, Washington, D.C., for consolidation and forwarding to MSSA disclosed that only one activity consistently forecast in the proper future period to assure that adequate supplies are on hand in the depots to fill requisitions at the time they are received. The remaining activities either consistently or occasionally failed to forecast requirements in the proper time period, and quarterly requirements totals were overstated and understated. All these 5 items--tomatoes in No. 10 cans, catsup in 14-ounce bottles, catsup in No. 10 cans, cherries in No. 10 cans, and carrots in No. 10 cans--required special action by MSSA to effect supply at additional cost.

Analysis and conclusion

The military services have the capability to control the type and quantity of the food their personnel will be fed. Requirements computations for food items are relatively simple since clearly established or readily determinable requirements factors exist together with the means to relate them to personnel strengths and other data and to adjust them to changing conditions. However, while we made detailed examinations of food items at all levels in respect to only a limited number of food items and at relatively few customers' activities, our review disclosed several significant

deficiencies in policies and procedures in the development of customers' requirements that clearly result in the uneconomical actions taken by MSSA.

The best practicable way to improve customers' requirements computations is through continuous and thorough examination and analysis of such computations in detail and in relation to the supply actions that actually take place. Similarly, the continuous and current application of corrective measures is essential if uneconomical actions are to be avoided. This, of course, is not practicable without all relevant underlying facts necessary to the evaluation and adjustment of requirements.

The information that is essential to reasonable control of the subsistence program is now widely dispersed. Personnel computing requirements at customers' activities apparently do not have sufficient incentive to exercise the necessary degree of continuous care, since they are not involved in the consequences of their actions. Furthermore, MSSA has no control over the computation of customers' requirements and therefore does not possess the capability of determining the causes of its troubles and correcting them. MSSA is therefore without means to effectively control the nonperishable subsistence supply program of about \$250 million in procurement annually. It would appear that the present policy of decentralizing customers' requirements computations has resulted and will continue to result in procurement in improper quantities, maldistribution, and excess costs.

On the other hand, it would appear that all pertinent data could be more readily made available and controlled through centralization of customers' requirements, and by that process there could be greater assurance of accurate, effective utilization of

such data with consequent improvement in the effectiveness and efficiency of the entire operation.

Centralization of customers' requirements computations at the MSSA level, in addition to minimizing the uneconomical supplementary supply actions, would eliminate MSSA's consolidation of requirements data presently computed and furnished by the Services and permit diversion of human resources from repetitive detailed work to management analysis of the forecasting process. It would also permit consideration of transfer from manual to machine computation and possibly accomplish reduction of personnel.

Agency concurrence

In bringing our findings and tentative conclusions to the attention of the Department of Defense, we proposed that the Secretary of Defense take appropriate action to have the Military Subsistence Supply Agency compute requirements based on pertinent programming data affecting future replenishment demands furnished by the military services on a timely basis.

The Deputy Assistant Secretary of Defense (Supply and Services) in a letter dated July 6, 1961, attached as appendix II, stated that the Department of Defense concurred in our finding and proposal and that action had been initiated to make the Military Subsistence Supply Agency responsible for the computation of the military services' replenishment requirements on the basis of programming data furnished by the services.

FAILURE TO BILL COMMISSARIES FOR TRANSPORTATION
COSTS OF \$600,000 ANNUALLY

Transportation expenses estimated to be about \$600,000 annually and applicable to perishable subsistence furnished to commissary stores are being absorbed by the Government rather than by commissary stores as required by regulations.

Our tests of shipments from storage and distribution points disclosed that approximately 18 to 21 percent of second destination transportation expenses for perishables was applicable to shipments to commissary stores. On the basis of total second destination transportation expenses of \$3.3 million for perishables in fiscal year 1959, we estimate that such expenses applicable to commissary shipments amounted to about \$600,000. These costs were not added to the prices charged for perishables shipped to commissaries.

Agency action

MSSA, as an interim measure pending completion of a study of the cost of second destination expense for items shipped to commissaries, applied a 1-1/2 percent surcharge to these items beginning about May 1960. After completion of the study, a 7-percent transportation surcharge was applied to items shipped to commissaries effective July 1, 1961. The 7-percent surcharge is to be reviewed and adjusted periodically to assure recovery of actual costs.

We believe that the procedures will effectively recoup second destination transportation costs if they are followed and the surcharge rate is reviewed and adjusted periodically.

ADDITIONAL ANNUAL COSTS OF \$85,000
DUE TO USE OF AN UNECONOMICAL LOCATION
FOR DISTRIBUTING PERISHABLES

Our review disclosed that additional costs for transportation and storage amounting to about \$85,000 a year were being incurred by MSSA due to use of rented storage and distribution facilities at Mobile, Alabama, rather than rented facilities at Birmingham, Alabama.

MSSA had recommended this relocation to the Office of the Quartermaster General (OQMG) in 1958, but it had not been acted upon despite the fact that studies made by MSSA from 1956-58 pointed out possible annual savings and the need for such action. OQMG advised MSSA that no action would be taken at that time because of the possibility of drastic changes in troop deployment and other contingent possibilities.

Our examination of procurement and distribution operations during calendar year 1958 in the eastern half of the area serviced by MSSA's New Orleans office disclosed that the use of rented facilities at Mobile, which is located near the Gulf of Mexico, as a storage and distribution point had resulted in hauling shipments received at Mobile back over parts of the route which they had traveled to Mobile (back hauling). The back hauling occurs because much of the perishable subsistence received at the Mobile facilities in large-volume shipments comes from suppliers who are north of both the consuming installations and Mobile. Storage and distribution facilities in Birmingham, which is located in north central Alabama, are ideally situated to eliminate a substantial portion of the back hauling.

Our comparison of transportation costs for shipments from vendors to Mobile and to Birmingham in calendar year 1958 disclosed a decrease of approximately 420,526 ton-miles at an annual savings of approximately \$37,000 if facilities at Birmingham were used. Also, our comparison of transportation costs for shipments from Mobile and Birmingham to customer's installations disclosed a decrease of approximately 237,177 ton-miles at annual savings of approximately \$24,000 if the facilities at Birmingham were used.

In addition, commercial cold-storage and handling costs are higher in Mobile than in Birmingham. Our examination disclosed that warehouse tariffs for Birmingham were approximately 36 percent less than Mobile's tariffs. We estimate annual savings of approximately \$23,700 in storage and handling costs.

Further, Mobile is not competitive in commercial refrigerated truck transportation. We were informed that MSSA is utilizing the services of the sole refrigerated truck line operating out of Mobile while Birmingham has 10 refrigerated truck lines which provide a potential for competitive bids.

Agency comments

In bringing our findings and conclusions to the attention of the Department of Defense, we proposed that the relocation of the storage and distribution facility from Mobile to Birmingham be effected in view of the substantial annual savings available as disclosed by studies made over several years.

The Deputy Assistant Secretary of Defense (Supply and Services) in a letter dated July 6, 1961, attached as appendix II, agreed that it is evident that certain savings would accrue by

relocation of the storage and distribution facility from Mobile to Birmingham. He stated further, however, that the Department of the Army would undertake an analysis of costs and compare cost estimates at various alternate locations to ascertain where maximum economy and efficiency could be obtained.

SCOPE OF REVIEW

We reviewed controls, policies, and procedures for computing Army, Air Force, and Navy requirements for nonperishable foods. We also reviewed the Military Subsistence Supply Agency's controls, policies, and procedures for consolidation of its customers' requirements, consideration of available stock, authorization of procurement, and other actions taken to accomplish supply.

In view of the extensive work required to analyze requirements computations and other supply actions, we did not review the customers' services controls for timely reporting changes in location of personnel.

We also reviewed MSSA's controls, policies, and procedures for getting perishable foods from suppliers to customers' installations.

Our field work was completed in June 1960. We requested comments from the Department of Defense in March 1961 on the matters disclosed in this report, and they were received in July 1961.

APPENDIXES

LIST OF AGENCY OFFICIALS
RESPONSIBLE FOR THE ADMINISTRATION OF FOOD SUPPLY
WITHIN THE DEPARTMENT OF DEFENSE
DURING THE PERIOD COVERED BY THIS REPORT

Term of office
From To

DEPARTMENT OF DEFENSE

Secretary of Defense

Robert S. McNamara	January 1961	present
Thomas S. Gates, Jr.	December 1959	January 1961
Neil H. McElroy	September 1957	December 1959

Assistant Secretary of Defense
(Installations and Logistics)

Thomas D. Morris	January 1961	present
Perkins McGuire	January 1957	January 1961

DEPARTMENT OF THE ARMY

Secretary of the Army

Elvis J. Stahr, Jr.	January 1961	present
Wilber M. Brucker	July 1955	January 1961

Assistant Secretary of the Army
(Installations and Logistics)

Paul R. Ignatius	May 1961	present
Vacant	January 1961	May 1961
Courtney Johnson	April 1959	January 1961
Frank Higgins	August 1954	March 1959

Army Deputy Chief of Staff
for Logistics

Lt. Gen. R. W. Colglazier, Jr.	July 1959	present
Lt. Gen. Carter B. Magruder	May 1955	June 1959

Army Quartermaster General

Maj. Gen. Webster Anderson	June 1961	present
Maj. Gen. Andrew T. McNamara	June 1957	June 1961

LIST OF AGENCY OFFICIALS
RESPONSIBLE FOR THE ADMINISTRATION OF FOOD SUPPLY
WITHIN THE DEPARTMENT OF DEFENSE
DURING THE PERIOD COVERED BY THIS REPORT (continued)

	Term of office	
	From	To
<u>Military Subsistence Supply Agency</u>		
Maj. Gen. A. T. McIntosh	August 1958	present
<u>DEPARTMENT OF THE NAVY</u>		
<u>Secretary of the Navy</u>		
John B. Connally, Jr.	January 1961	present
William B. Franke	June 1959	January 1961
Thomas S. Gates, Jr.	April 1957	June 1959
<u>Assistant Secretary of the Navy</u> (Installations and Logistics) (formerly Assistant Secretary of the Navy, Material)		
Kenneth E. BeLieu	February 1961	present
Cecil P. Milne	April 1959	January 1961
Fred A. Bantz	April 1957	April 1959
<u>Navy Bureau of Supplies and Ac- counts</u>		
Rear Adm. John W. Crumpacker	May 1961	present
Rear Adm. James W. Boundy	August 1958	May 1961



ASSISTANT SECRETARY OF DEFENSE
WASHINGTON 25, D. C.

INSTALLATIONS AND LOGISTICS

SS

JUL 6 1961

Dear Mr. Johnson:

Reference is made to your letter of 10 March 1961 to the Secretary of Defense forwarding copies of your draft report on the review of the subsistence supply within the Department of Defense. The following observations are submitted:

a. The Department of Defense concurs in your finding that nonperishable subsistence was overprocured and excess costs incurred due to unreliable forecasts of requirements by the Military Services. Action has been initiated to correct this situation through revision of Department of Defense Directive 5160.11, subject "Single Manager Assignment for Subsistence," which has been rewritten, is being staffed, and when implemented will make the Military Subsistence Supply Agency responsible for the computation of the Military Services' replenishment requirements on the basis of programming data furnished by the Services.

b. Regarding the proposals to relocate a storage and distribution facility from Mobile to Birmingham, it is evident that certain savings would accrue. The Department of the Army will undertake an analysis of costs and compare cost estimates at various alternate locations to ascertain where maximum economy and efficiency can be obtained.

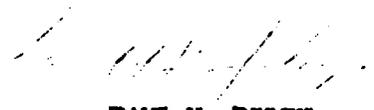
c. As indicated in your report, corrective action was taken or initiated during the review on your other three findings which are: (1) the Government, rather than commissary patrons, was absorbing transportation costs on certain commissary items; (2) common carriers were used in preference to contract carriers which had submitted lower bids; and (3) higher transportation costs were incurred on 17 butter shipments because of Commodity Credit Corporation's failure to advise MSSA of transit privileges available.

d. The Department of the Navy has indicated that action has been taken to correct and preclude a recurrence of the deficiencies noted concerning Navy subsistence operations.

The interest of your staff in the operations of the subsistence supply program is appreciated. Economy and efficiency in these operations

will receive continued Department of Defense emphasis. The opportunity to review and comment on the draft report prior to finalization is also appreciated.

Sincerely yours,



PAUL H. RILEY
Deputy Assistant Secretary of Defense
(Supply and Services)

Mr. E. T. Johnson
Associate Director, Defense
Accounting and Auditing Division
United States General Accounting Office