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REPORT TO THE CONGRESS

Need For Improving The Program For Use And Redistribution Of Excess Materiel In The Pacific Area B-169427

Department of Defense

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

700398

AUG. 14, 1970



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-169427

To the President of the Senate and the
Speaker of the House of Representatives

Case 10/10/11

This is our report on the need for improving the Department of Defense program for use and redistribution of excess materiel in the Pacific area. Our examination 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).

Copies of this report are being sent to the Director, Office of Management and Budget; the Secretary of Defense; the Secretary of the Army; the Secretary of the Navy; and the Secretary of the Air Force.

James B. Stacks

Comptroller General
of the United States

D I G E S T

WHY THE REVIEW WAS MADE

To obtain maximum use of materiel in the Pacific area, the Department of Defense (DOD) established a special program designed to promote redistribution of excess materiel within and among the military services in that area. (AGC 5)

One benefit of an effective program is avoiding concurrent procurement and disposal of the same items. Another is the savings in transportation costs by using items already in the Pacific area. (DLG 609)

The special program was conducted by the Pacific Command Utilization and Redistribution Agency, Okinawa, which receives information on excesses and tries to find users for them in the Pacific area.

The General Accounting Office (GAO) review was made to evaluate the adequacy and effectiveness of the DOD program in obtaining maximum use of excess materiel.

FINDINGS AND CONCLUSIONS

Excess materiel costing \$603 million was reported during fiscal year 1969. About \$23 million worth of these excesses were transferred among users. GAO believes that additional transfers with attendant savings are possible through greater participation in the DOD program. GAO observed that Air Force contractors and some military activities were not reporting their excess materiel to the Pacific Command Utilization and Redistribution Agency nor using it as a possible source of supply for requirements. (See p. 18.) (AG 635)

The GAO review did not determine the extent that additional distribution and use of excess items could have been made through full participation in the program. The potential for increased savings, however, was recognized by officials during the review.

The Pacific Command Utilization and Redistribution Agency, as set up, was merely an information center. It acted as a clearing house for information concerning available excess materiel. The responsibility for management functions of program planning, execution, and surveillance

was fragmented, and no one organization had an overview of the entire program, an understanding of its problems, and the authority to effect needed improvements. (See p. 14.)

The military services do not have clear criteria for defining excess materiel. Some materiel reported as excess was not actually excess, and, as a result, materiel was not available for transfer when shipping requests were received. GAO believes that when excesses are reported they should be designated as either partial or total excess--partial excess meaning that some quantity of an item held by an activity temporarily is not needed and total excess meaning that the entire quantity of an item held by an activity is not needed. (See p. 6.)

GAO estimated that as much as \$370 million worth of the excesses which could not be matched against area requirements would be declared surplus. As the Government receives about \$0.075 on each \$1 worth of materiel sold as surplus, increased efforts should be made to use, rather than to dispose of, excess items.

RECOMMENDATIONS OR SUGGESTIONS

GAO made a number of suggestions to the Secretary of Defense for improvements in the operation of the program by the Pacific Command Utilization and Redistribution Agency. In essence, the purpose of the GAO suggestions were to

- improve the effectiveness of the Pacific Command Utilization and Redistribution Agency and
- clarify and improve criteria for identifying excess materiel to increase the reliability of the program as a source of supply for needed items.

AGENCY ACTIONS AND UNRESOLVED ISSUES

DOD stated that the Army was being directed to improve the effectiveness of current operations by ensuring full use of the redistribution program and compliance with its procedures by all military services. (See p. 27.)

GAO is recommending that the Secretary of Defense review the Army's implementing actions to ensure that the desired results are achieved. (See p. 21.)

DOD agreed that criteria for identifying total and partial excess materiel needed to be clarified and improved but did not indicate what action would be taken. (See p. 13.)

MATTERS FOR CONSIDERATION OF THE CONGRESS

This report is being submitted because of continued interest expressed by the Congress in actions taken by DOD to achieve supply economies by the U.S. military services overseas.

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ABBREVIATIONS

DOD	Department of Defense	<i>A6C(5)</i>
GAO	General Accounting Office	
PURA	Pacific Command Utilization and Redistribution Agency	

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CHAPTER 1

INTRODUCTION

The General Accounting Office has examined into selected aspects of the effectiveness and economy of the Department of Defense's program for utilizing excess materiel located in the Pacific area. The principal objectives of the program are to (1) avoid the accumulation of huge quantities of excesses within the Pacific area, such as occurred in past conflicts, and (2) obviate the need to procure quantities of items by using excesses already in the Pacific area.

In November 1967, the Secretary of Defense established the project for the utilization and redistribution of materiel in the Pacific area. The Pacific Command Utilization and Redistribution Agency (PURA) is the agency, operated by the Army, through which excesses of all military services in the Pacific area are to be screened for interservice utilization.

At June 30, 1969, there were 49 activities designated as participants in the PURA program. A listing of those participants and their locations is included as appendix II.

The basic concept of operation of the project for utilization and redistribution of materiel in the Pacific area is that each participating activity determines and reports its quantities of excess items to PURA. At June 30, 1969, there were about 145,000 line items, valued at over \$85 million, listed in the PURA excess file. Each activity also submits to PURA a list of the items for which they generally maintain stock. This list of items is then used by PURA in a computer screening operation to match those items with excess items reported to it. On the basis of the matching information, PURA advises the participating activities of the excess items available for redistribution for which they have indicated interest. The activities then requisition through PURA excess materiel to satisfy current requirements, authorized economic retention stocks, and other special stock requirements.

Excesses reported to PURA, which are not used by other services or which are not requisitioned during the 60-day interservice screening period, are reported back to the owning service for disposition action in accordance with established service supply procedures for disposal locally or for return to the continental United States. We estimate that as much as \$370 million worth of the excesses reported to PURA, and for which there were no identified requirements in the Pacific, will be turned over to property disposal activities as surplus to military needs. As the Government is only obtaining about 7-1/2-percent return of acquisition cost on disposal sales, it is imperative that maximum utilization of excesses be achieved.

Prior to interservice screening, excess items are reviewed for redistribution and utilization within the owning service. For items owned by the Army and Navy, this intraservice screening is performed by PURA for 30 days prior to the 60-day interservice screening. The Marine Corps has only one activity participating in the PURA program, and therefore intraservice screening of Marine Corps excesses is not necessary. In the Pacific Air Forces, the intraservice screening is performed by the Pacific Air Forces Asset Redistribution Center.

PURA operated on a test and limited-operation basis during the period April 1 to June 30, 1968, and was considered to be operational on July 1, 1968. During fiscal year 1969, \$603 million worth¹ of excesses were reported to PURA by participating activities. About \$23 million worth of these excesses were shipped to other users to fill current or future needs.

The scope of our review is discussed on page 23. A list of the principal officials of the Department of Defense and the Departments of the Army, Navy, and Air Force responsible for the administration of activities discussed in this report is shown as appendix III.

¹ Does not include \$32 million worth of excess airfield construction materiel which, we believe, should not be included because of the size and atypical nature of the transaction.

CHAPTER 2

NEED TO REVISE BASIC POLICY

CONCERNING DESIGNATION OF MATERIEL

AVAILABLE FOR REDISTRIBUTION

To increase the use of materiel already in the Pacific area, it is essential that the Department of Defense establish a sound policy for the determination of the items an activity should retain in inventory and the items which an activity should report as excess and available for redistribution. We observed that some materiel reported for redistribution was not actually excess and that, as a result, the materiel was not available for transfer when shipping requests were received.

DESCRIPTION OF EXISTING DOD POLICY AND CRITERIA

Under DOD policy, the amount of materiel in excess of that quantity authorized for retention is considered excess. Although DOD policy makes no distinction, there are two basic types of excess materiel. Materiel for which the holding activity has no identified need for any quantity is considered excess and available for redistribution and disposal. In other words, the entire quantity of the item is not needed and is excess. For purposes of this report, we will refer to that type of excess materiel as total excess.

Quantities of materiel above the retention level--and above any special authorized reserves, such as war reserves--are also identified as excess to the needs of the holding activities and are reported as excess and available for redistribution. The retention level represents the quantities of materiel that activities are authorized to have on hand and includes an increment of permissive overstockage beyond the stockage authorized as the normal stock level. For example, the normal stock level for most Army materiel is a 6 months' requirement--a 1-month operating level, a 1-month safety level, and a 4-month order and ship time. The Army's retention level for most materiel has been set at

three times the normal stock level, or an additional 18 months' supply. Although there is an identified need for some quantity of such materiel, the total quantities on hand are sufficient to designate some of the quantity as excess and redistributable. For purposes of this report, we will refer to materiel in excess of the retention level as partial excess.

We believe that DOD's criteria for reporting excess materiel to PURA has not properly recognized the distinction between total excess and partial excess in formulating policy for redistribution and disposal. In particular, we believe that partial excess should not be considered excess in the same sense as is total excess. In most cases, partial excess, rather than being truly excess to the needs of the holding activity, are more correctly identified as materiel which the activity temporarily does not need. As long as a demand exists for this materiel, however, the quantities above the retention level could eventually be used by the holding activity. As explained below, this materiel should continue to be reported to PURA so that it can be used to meet current needs of other activities and thereby prevent unnecessary shipment of additional quantities to the Pacific area.

FACTORS CONTRIBUTING TO LOW
FILL RATE OF REQUISITIONS

In our review, we observed three factors which indicate that partial excesses should not be treated the same as total excesses. These factors, discussed on the following pages, were: (1) materiel reported as excess was often subsequently used by the holding activity and was not available to fill requisitions of other program participants, (2) stock records were inaccurate and resulted in erroneous reporting of excesses as available, and (3) the computations of the excess quantities of items fluctuated considerably and resulted in frequent changes in the stock status of items.

Those factors reduce the chances of activities' obtaining materiel requisitioned through PURA. Of every 100 requisitions submitted to PURA, 31 were matched with reported excesses and transmitted to the activities that reported the excesses. Only 12, or 38 percent, of those 31 requisitions were filled--an overall fill rate of 12 percent on requisitions submitted to PURA.

The following schedule of the dollar value of actual interservice and intraservice shipments made by PURA program participants on requisitions sent to them by PURA during fiscal year 1969 indicates the low fill rate of requisitions.

<u>Activity</u>	<u>Reported referrals</u>	<u>Reported shipments</u>
Army	\$43,496,000 ^a	\$16,528,000 ^{a, b}
Navy	4,453,000	2,100,000
Marine Corps	4,842,000	2,318,000
Air Force	<u>6,236,000</u>	<u>1,897,000</u>
Total	<u>\$59,027,000</u>	<u>\$22,843,000</u>

^a Does not include referral and shipments for airfield construction materiel valued at \$31,950,000. Because of the size and nature of this transaction, which is atypical, we believe that no portion should be included in PURA statistics.

^b This figure differs from the amount for reported shipments shown in the Deputy Assistant Secretary of Defense (Installations and Logistics) letter of March 16, 1970, which includes \$14,132,000 transferred between Army activities in the Pacific area without PURA direct participation in the transactions and the \$31,950,000 of airfield construction materiel discussed above. The \$14,132,000 of transfers were made between Army activities to redistribute supplies before reporting excesses to PURA. (See p. 29.) These shipments were not a result of PURA referrals and are therefore inappropriate for inclusion in this schedule.

Materiel reported as excess
used by holding activity and
not available to fill requisitions

We found that materiel reported as excess was frequently issued by the holding activity to its own customers subsequent to being reported and was not available to fill the requisitions of other PURA program participants. The extent to which this happened is illustrated by the reports of four Army activities in the Pacific Command, which disclosed that, during the period August 1968 through June 1969, materiel having a value of \$176 million that had been reported to PURA as being excess was subsequently issued to their own customers. Generally, the Army did not report to PURA that the materiel was no longer available. We traced the disposition of 80 requisitions that had been submitted by various Air Force activities to the 8th U.S. Army Depot Command for delivery of reported excesses. Of the 80 requisitions, 52, or about 65 percent, were not filled because the excess quantities reported were not available at the time the requisitions were received. Various factors contributed to the situation, but one of the main factors was that the Depot Command's customers needed the materiel subsequent to its designation as excess.

As a specific illustration, on January 15, 1969, the 8th U.S. Army Depot Command reported to PURA that it had an excess of 652 packages of loose-leaf paper. By January 23, 1969--only 8 days later--it had issued the entire excess quantity to its own customers. Therefore no excess assets were available to fill a subsequent requisition for 207 packages for an Air Force activity which wanted the paper for its current operating requirements.

Inaccurate stock records resulting
in erroneously reporting excesses
as available

Our Office recently submitted a report to the Congress on the need for improvement in the supply systems supporting military forces in the Far East (B-160682, April 21, 1970). This report pointed up the need for improvement in accuracy of inventory records.

Inaccuracies in inventory records result in the reporting of incorrect quantities of materiel as excess and available for redistribution. We observed that materiel reported as excess frequently had been withdrawn from availability as a result of inventory adjustment and that requisitions received from other PURA program participants could not be filled. Also, requisitions had not been filled because the quantities of excess materiel indicated on the records could not be found.

The generally low integrity of the stock records within the Pacific Command makes it extremely difficult, if not impossible, to make accurate quantity determinations, such as those on which the policy of reporting partial excesses is premised. The fact that the inventory quantities and valuations at the participating activities have been shown to have error rates ranging from 16 percent to over 75 percent renders suspect the activities' reporting of available excesses, as well as requirements. The effect of this inaccuracy is particularly acute in the case of partial excesses where orders are placed, excesses reported, and materiel shipped on the basis of computer-indicated increments, frequently small, above the retention level.

Fluctuations in the computation of excess quantities results in frequently changing stock status

In our review we found that the determinations of the quantity of an item to be retained in inventory and the quantity above this amount considered to be excess fluctuated to a great extent. As a result in some instances materiel was redistributed unnecessarily and in other instances organizations needing materiel were not able to obtain reported excesses.

The quantity of an item greater than the retention level, plus other reserve stock, is considered to be excess and available for redistribution. The various stock levels to be maintained are computed periodically and, in general, are based on experienced demand. Therefore, as the demand for an item changes, the amount calculated as the retention level also changes. This fluctuation in retention levels

is illustrated by the following tabulation showing four items we reviewed at 2d Logistical Command.

Date	Retention level			
	Box wrench (5120-184-8677)	Ship scraper (5110-240-3094)	Drawer knife (5110-222-4453)	Pump assembly (7310-379-2449)
11-68	470	204	140	-
12-68	398	-	158	28
12-68	466	-	-	-
2-69	-	238	132	-
4-69	310	212	120	26
5-69	-	144	-	-
6-69	308	-	-	4

Fluctuations like those illustrated above, although appropriate on the basis of demand information, could have two undesirable effects on the reporting of partial excesses. Fluctuations could result in unnecessary shipment of materiel, and they could contribute to the high denial rate on requisitions submitted for reported excesses.

Unnecessary shipments occur when an activity requisitions excesses for permissive overstockage and later reduces its retention level and reports the same materiel as available excess. For example, on December 29, 1968, the 2d Logistical Command requisitioned 29 drawer knives (see tabulation above) for permissive overstockage and received 15 on February 9, 1969. As a result of a retention level change and an inventory adjustment, however, 25 of the drawer knives were reported as excess by the 2d Logistical Command on March 16, 1969.

Denials occur when an activity reports an item as being excess and available for redistribution and subsequently withdraws the item from availability because of an increased retention level. For example, the 8th U.S. Army Depot Command reported 128 units of an item as excess on January 15, 1969. The Depot Command subsequently issued 57 units to its customers and computed a new retention level on February 21, 1969. As a result of the new computation, the 71 units the Depot Command still had were no longer considered to be excess. This resulted in the denial of a

high-priority Air Force requisition for 36 units that was processed on May 12, 1969.

CONCLUSIONS

We believe that the DOD criteria for excessing materiel has not properly recognized the distinction between total excesses and partial excesses in formulating policy for redistribution and disposal. The DOD criteria for the identification, reporting, and redistribution of total excesses appears to be in the best interests of the Government, and we are making no suggestions for changes in regard to those items.

We believe, however, that partial excesses should not be considered excess in the same sense as total excesses. Partial excesses in most cases, rather than being truly excess to the needs of the holding activity, are more correctly identified as materiel which the activity temporarily does not need. As long as some demand exists for this materiel, however, the quantities above retention level could eventually be used by the holding activity. Therefore, although we believe that partial excesses should be reported, we believe that they should not be redistributed unless their retention would create a warehousing problem or unless a requisitioner has a need for the materiel more immediate than the holder. For example, should the requisitioner's need represent a requirement to fill normal operating stocks, as opposed to permissive overstockage, the processing of the requisition appears to be warranted.

Excesses which cannot be utilized are sent to property disposal offices for disposition. We believe that, even though a requisitioner is not found for a reported partial excess, the partial excess should not be sent to disposal unless the partial excess quantity is clearly and grossly above the retention level and thus not likely to be used. This would prevent the possibility of disposing of materiel at a fraction of its cost and then having to procure replacement items.

In our opinion, the resulting improved fill rate would enhance the reliability of the system as a source of supply and thereby increase overall utilization of materiel.

AGENCY COMMENTS

The Deputy Assistant Secretary of Defense (Installations and Logistics) in his letter dated March 16, 1970 (see app. I), concurred in our conclusion concerning the need to distinguish between true excesses and materiel temporarily in long supply. However, he did not indicate any specific actions being taken to prevent unnecessary and uneconomical transfers.

RECOMMENDATIONS

Since unnecessary and uneconomical transfers of materiel have been made despite the stated DOD objectives of distinguishing between total and partial excesses, we recommend that the Secretary of Defense take action to ensure that the operators of the utilization and redistribution program in the Pacific area:

- Clarify and improve criteria to recognize the difference between total excesses and partial excesses.
- Prevent disposal of partial excesses except in the most extreme cases of overstockage.

CHAPTER 3

NEED TO STRENGTHEN MANAGEMENT CONTROL OF THE UTILIZATION AND REDISTRIBUTION PROGRAM IN THE PACIFIC AREA

We observed that problems significantly inhibiting the excess materiel program in the Pacific area had not been timely identified and corrected because of fragmentation of responsibility for the management functions of program planning, execution, and surveillance. We observed also that some organizations were not using PURA as a possible source of supply for all requirements and that excess materiel was not always reported as available for redistribution. In addition, we noted that PURA had neither a surveillance mission to determine the extent of program participation nor the authority to correct known program shortcomings.

Our review did not determine the extent to which additional distribution and use of excess items could have been made through full participation in the program. The potential for increased savings, however, was recognized by responsible officials during our review.

RESPONSIBILITIES FOR THE PROGRAM AND PROCEDURES FOR UTILIZATION AND REDISTRIBUTION OF EXCESS MATERIEL IN THE PACIFIC AREA

In a November 1967 memorandum to the service secretaries, the Secretary of Defense directed the Commander in Chief, Pacific, to

"establish a special agency to (1) maintain an inventory of excess materiel identified in the Pacific area, (2) supervise redistribution or disposal of such materiel within his area, and (3) report the availability of materiel which cannot be utilized in the Pacific area to other Defense activities ***. This Agency will be known as the 'Pacific Utilization and Redistribution Agency'." (Underscoring supplied.)

In December 1967, the Commander in Chief, Pacific, delegated the responsibility for organizing and operating the PURA to the Commander in Chief, U.S. Army, Pacific. This responsibility specifically included (1) review of progress and (2) recommendation of any needed corrective action to the Commander in Chief, Pacific. The Commander in Chief, U.S. Army, Pacific, in turn, designated the Commanding General, 2d Logistical Command, to establish and operate PURA.

The policies governing the interservice exchange of materiel in the Pacific area and the operation of PURA were set out in Commander in Chief, Pacific, Instruction 4570.3, dated July 10, 1968. The instruction stated, in part:

"2. General

- a. *** The program requires the PURA to compile, maintain, and circulate listings of excess materiel for redistribution and to submit a monthly report on the materiel identified and the redistribution accomplished under this program." (Underscoring supplied.)

* * * * *

"3. Definitions"

* * * * *

- "c. PACOM Utilization and Redistribution Agency (PURA). The processing center designated to coordinate the interservice screening of excess materiel within the PACOM [Pacific Command]. The PURA is an activity of the PACOM and under the management control of CINCUSARPAC [Commander in Chief, U.S. Army, Pacific]. (Underscoring supplied.)

Thus it can be seen that PURA was not given any authority or mission to supervise, direct, or oversee the actual redistribution or utilization of the excess materiel in the Pacific area but rather was to be merely an information center.

PURA acts as a clearing house for information concerning available excess materiel. Determination of stock requirements and supply procedures, including disposal of stocks locally or returning materiel to the continental United States, are performed by the local military organizations in accordance with policies and procedures promulgated by the individual military services. Each participating activity is supposed to determine and report its quantities of excess items to PURA and to prepare and submit a list of the items in which it has an interest. PURA then advises interested participating activities of the excess items available for redistribution.

The activities send requisitions for the excess materiel to PURA which notes the requisitions in its files and forwards them to the activities that reported the excesses. From that point, PURA is no longer involved and the completion of the transactions is between the two participating activities. Even though PURA is not aware of the outcome of the transactions, however, it deletes the items from its records and reports the transactions as redistribution actions.

The Commander in Chief, Pacific, established the following division of responsibilities in the Pacific Command.

Commander in Chief, Pacific--responsible for program planning and coordination of the efforts of the component services.

U.S. Army, Pacific--responsible for program review and evaluation and for reporting needed corrective actions to the Commander in Chief, Pacific.

PURA--responsible for program execution through its function of an information clearing house.

This system of management control proved ineffective for two reasons. First, PURA, the group with the most responsibility for program success and the most knowledge of program activities, did not have the machinery for monitoring program performance or the authority to correct known program shortcomings. For example, PURA forwards requisitions for excesses to the activities which reported the

excesses. They are not informed, however, of the shipments actually made; such information would be a valuable measure of program performance. Second, the U.S. Army, Pacific, did not fulfill its responsibility for program review and evaluation through its failure to provide the necessary staff resources within its organization to perform these tasks. We observed that a senior officer at Headquarters, U.S. Army, Pacific, had been given the assignment of PURA Project Officer but had not been given any staff assistance in fulfilling his responsibility. We also noted that field visits had not been made by this officer to the participating activities.

We recognize that the utilization and disposal program might have been improved if the U.S. Army, Pacific, had adequately met its responsibility for program surveillance. We believe, however, that the underlying cause of the program deficiencies we noted was the fragmentation of responsibility--the fact that no organization had an overview of the entire program, an understanding of its problems, and the authority to effect needed improvements.

INCOMPLETE PARTICIPATION IN PURA PROGRAM

We observed that not all activities were using PURA as a possible source of supply for all requirements and that some activities were not reporting all their excess materiel as being available for redistribution.

Activities not using PURA as a source of supply to the fullest extent

Reports of potential requirements submitted by Army activities prior to March 1969 omitted items which could be used as substitutes for stocked items. The Army realized this omission and initiated corrective action. The extent of this omission is demonstrated by the changes in the number of items on each activity's report, as follows:

<u>Activity</u>	<u>Potential requirements</u>	
	<u>Before correction</u>	<u>After correction</u>
	<u>Line items</u>	<u>Line items</u>
2d Logistical Command	151,300	295,487
8th Army Depot Command	153,620	243,126
Army Depot Command, Japan	125,581	200,500

If the Army activities had included the substitute articles in their requirements, it is possible that materiel could have been found in the Pacific area to satisfy those requirements.

The Naval Supply Depot at Yokosuka, Japan, submitted lists to PURA of the items for which it generally maintained stock. Although PURA notified the depot of the availability of excesses of these items, the depot, during the period July 1968 through May 1969, ignored the notifications and failed to requisition any needed excess items. During this period, the depot reviewed only certain special messages and catalogs of high-value items furnished by PURA.

The primary reasons for incomplete participation by the Yokosuka depot in the PURA program were the lack of an

efficient procedure to compare requirements to reported assets and the assignment of high-priority projects which prevented allocation of sufficient resources to the PURA project. The potential for additional use of excesses is indicated by the fact that in fiscal year 1969 the Yokosuka depot received from the continental United States materiel having an estimated value of about \$45 million in the categories designated for PURA participation.

Activities not reporting
all their excess materiel

Our review at the Yokosuka depot showed that local procedures, because of misinterpretation of Navy instructions, did not provide for reporting to PURA excess items in certain categories of materiel, including F-4 aircraft items. During the period January through June 1969, excess items valued at about \$773,000 in those materiel categories, were reported direct to inventory managers in the continental United States without having been reported to PURA. The inventory managers provided redistribution orders directing that materiel valued at approximately \$624,000 be returned to the continental United States and that materiel valued at about \$70,000 be disposed of locally. If those items had been submitted for PURA screening, it is possible that a requirement for this materiel might have been found in the Pacific area. In June 1969 the depot issued instructions for reporting the above items to PURA.

The Naval Supply Depot at Subic Bay, the Philippines, reported \$6.7 million in excesses to PURA for the period from July to November 1968. The depot had made no subsequent reports of excesses at the time of our review in July 1969. We were advised that no reports of excesses had been made during this 8-month period because the depot was preparing for conversion to a new computer system. The new system became operational during the first week of March 1969; but 4 months later the depot still had not reported its excesses to PURA.

Contractors not participating in PURA program

There are several Air Force contractors in the Pacific area which utilize Government-furnished materiel in their

operations and which hold substantial inventories of such materiel. These contractors have not been designated for participation in the PURA program and therefore do not report identified excess materiel to PURA. Instead, these activities ship excess materiel to continental United States supply sources without attempting to redistribute them to other military activities in the Pacific Command. We found that these contractors had had significant quantities of excess materiel. For example, one contractor shipped excess Government-furnished property valued at about \$3.7 million to continental United States supply sources during calendar year 1968.

CONCLUSIONS

Problems in the program had not been identified and corrected as quickly as possible because responsibility for program planning, execution, and surveillance was fragmented to the point that no one organization had an overview of the entire program, an understanding of its problems, and the authority to attain needed improvements. To improve the degree of participation in the redistribution program, stronger management has to be provided over these activities.

Therefore we proposed that the Secretary of Defense take the action necessary to make PURA the central agency responsible for supervision and surveillance of the redistribution program in the Pacific area.

AGENCY COMMENTS

The Deputy Assistant Secretary of Defense (Installations and Logistics) commented on our findings and conclusions by letter dated March 16, 1970. (See app. I.) He advised us that the Army had been vested in its charter with sufficient authority to effectively carry out those responsibilities assigned by his office. He informed us, however, that the Army, as executive agent for the Department of Defense for managing the program of redistribution and utilization of excesses in the Pacific Command, was being directed to:

1. Ensure that full use is made of PURA and that all military services comply with its procedures.
2. Ensure that activities in the continental United States promptly determine whether stock is needed and where it is to be sent.
3. Identify needed automatic data processing equipment.
4. Establish a reporting system which will provide information on shipments actually made.

We believe that more excess stock will be redistributed if the above actions are carried out but that continuing surveillance will be needed.

RECOMMENDATIONS

We recommend that the Secretary of Defense monitor the implementing actions taken by the Army to ensure that the desired results are achieved.

CHAPTER 4

INTERNAL AUDIT

Our review indicated that there had been limited audit coverage of the activities discussed in this report. Two reports have been prepared concerning the management of excess property at activities that participate in the project for utilization and redistribution of materiel in the Pacific area--a report on a review at the Pacific Air Forces Asset Redistribution Center by the Air Force Auditor General and a report on a review at 8th U.S. Army Depot Command by the Army Audit Agency. Both reports identified weaknesses affecting participation in the program for utilization of excesses at the activities visited.

There have been no reviews made of the overall effectiveness of the redistribution and utilization program in the Pacific area. An audit planned by the Assistant Secretary of Defense (Comptroller), however, was postponed because of our review.

CHAPTER 5

SCOPE OF REVIEW

.Our review was directed primarily toward examining into and evaluating the effectiveness of DOD project for utilization and redistribution of materiel in the Pacific area. We reviewed the management and operation of PURA. Our work at PURA and at other activities included reviews of the determination and reporting of excess assets, the identification of supply needs, the requisitioning practices, the matching of needs with excesses, and the reporting of redistribution activity.

Our review work was performed during the period June through August 1969 at the following locations.

<u>Activity</u>	<u>Location</u>
PURA	Okinawa
Army:	
2d Logistical Command	Do.
8th U.S. Army Depot Command	Korea
U.S. Army Depot Command	Japan
Navy:	
Naval Supply Depot, Subic Bay	Philippines
" " " Yokosuka	Japan
Air Force:	
Pacific Air Forces Asset Redistribution Center	Thailand
U-Tapao Air Base	Do.
Clark Air Base	Philippines
Marine Corps:	
3d Force Service Regiment	Okinawa

We also discussed the operation of the project for utilization and redistribution of materiel in the Pacific area with officials at the offices of the Commander in Chief, Pacific; Commander in Chief, U.S. Army, Pacific; Commander in Chief, Pacific Air Forces; Commander, Service Forces, Pacific Fleet; and Commanding General, Fleet Marine Force, Pacific.

APPENDIXES



SP

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

MAR 16 1970

INSTALLATIONS AND LOGISTICS

Mr. C. M. Bailey
Director, Defense Division
General Accounting Office
Washington, D. C. 20548

Dear Mr. Bailey:

The Secretary of Defense has asked me to reply to your letter of November 10, 1969 which transmitted copies of your Draft Report entitled "Need for Improvement in the Program for Utilization and Redistribution of Materiel in the Pacific" (OSD Case #3035).

The basic objective in establishing the Project for the Utilization and Redistribution of Materiel in the Pacific Area (PURM) was to assure that any imbalances or excesses of materiel resulting from the Vietnam build-up were used in the most economical manner and to avoid accumulations of excesses such as the approximately 12 billion dollars worth of supplies remaining on hand following the Korean conflict. PURM represents the first attempt in our history to prevent accumulations of surpluses and to redistribute them to satisfy other valid requirements, during a period of active armed conflict.

The primary missions assigned to the Pacific Utilization and Redistribution Agency (PURA) as the operating element of PURM are to:

- a. Maintain an inventory of excess materiel identified in the Pacific area;
- b. Supervise redistribution or refer for other appropriate disposal action such materiel within the Pacific area; and
- c. Report the availability of materiel in the Pacific area to DoD item managers for concurrent screening in accordance with approved procedures.

Inasmuch as PURA had no counterpart, procedural and organizational changes were expected as problems which inhibited maximum utilization were identified. Many such changes have occurred since the original PURA design became fully operational, which was about a year prior to the beginning of your review. These changes have resulted from both internal and external reviews, including those conducted by your Office. Most of the limitations and shortcomings identified in the Draft Report were known to this Office, and the Department

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of the Army and the Commander-in-Chief, Pacific (CINCPAC), and formed the basis for a decision by this Office, in July of this year, to approve a CINCPAC request to conduct a detailed study of PURA operations with a view toward operational improvements. This study has now been completed. Although it presents plans for a completely redesigned system which could increase the effectiveness of the utilization of PACOM excesses, its implementation within an immediate time frame is not feasible. While the total system redesign is therefore not being approved for implementation, we consider the detailed study of PURA operations to be highly beneficial. The Army, in its capacity as Executive Agent for DoD in this matter and in conjunction with the other services and agencies concerned, is being charged to improve the effectiveness of current operations by implementing certain minimal actions such as:

- a. Insuring full use of PURA and compliance with its procedures by all military services.
- b. Insuring prompt action by the CONUS Inventory Control Points in providing disposition instructions and expedited and concurrent screening by the Defense Logistics Services Center.
- c. Identifying the most cost-effective automatic data processing equipment augmentation.
- d. Establishing a closed-loop reporting system.

We are of the opinion that the Army should continue in its role as the Executive Agent for the DoD, and that the organizational placement of PURA is sound. The Army has been vested in its charter with sufficient authority to effectively carry out those responsibilities assigned by this Office.

The Draft Report indicates that less than eleven million dollars of excess materiel referred by PURA was actually shipped to users during FY 1969. The criteria used in the determination of this figure are unknown; however, CINCPAC has re-evaluated these statistics and provided the following information:

(Dollars in Thousands)

Activity	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
	GAO Reported Referrals	GAO Reported Shipments	CINCPAC Reported Referrals	Service Reported Shipments
Army	\$40,941 ^{1/}	\$ 4,260	\$75,446	\$62,610 ^{2/}
Navy	4,672	2,092	4,453	2,100
Marine Corps	4,831	2,318	4,842	2,318
Air Force	5,681	1,897	6,236	1,897
TOTAL	\$56,125	\$10,567	\$90,997	\$68,925

- 1/ Does not include \$31.950 million referral for Air Field Construction Materiel.
- 2/ Includes intra-service transfers and the construction materiel referred to in Note 1 which we do not believe should be characterized as "atypical". \$48.478 million of this amount was directly redistributed by PURA and \$14.132 million was redistributed as a result of PURA. Direct PURA redistributions computed as follows: \$31.950 million airfield construction materiel plus 38% of the CINCPAC reported referrals (minus the airfield construction materiel) which amounts to \$16.528 million for a total of \$48.478 million. 38% was used because it is the percentage of requisitions that were actually filled of all requisitions referred by PURA to holding activities. The \$14.132 million indirectly redistributed by PURA was a result of transfers between PACOM Army activities to cross level supplies prior to reporting these excesses to PURA. It is felt that these transfers would not have occurred if PURA was not in being.

Column D represents the total recorded shipments as reported by the PACOM Service Components. Columns C and D above reflect a higher degree of effectiveness than the GAO figures would seem to indicate. We recognize that the figures in Column C should agree with Column D; however, as you are aware, the present PURA system was designed on an exception basis, so that reports are required only if the materiel is not available for shipment at the time the requisition is received by the holding activity. The PURA redesign study recommended, among other things, a positive accounting and follow-up status subsystem to identify and resolve discrepancies between referrals by PURA and actual shipments from the supply activity. We consider inclusion of such a positive accounting system essential in the improvement effort being initiated by the Army.

We recognize that the CINCPAC figures include the value of both intra- and interservice utilization of materiel in PACOM. While the primary purpose of PURA is to foster interservicing, it is a fact that the intra-servicing was achieved through PURA. Since this redistribution might not have occurred otherwise, we consider its inclusion appropriate.

Your objective of distinguishing between total and partial excesses in order to preclude the unnecessary movement of materiel and prevent disposal of partial excesses except in the most extreme cases of overstockage, is consistent with our rationale in establishing and applying retention level techniques. These techniques ideally prohibit the disposal or redistribution of serviceable materiel, within the constraints arising from warehousing, by defining that quantity which is clearly over projected requirements. Effective management is required, however, to prevent the redistribution or disposal of an item

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when past activity indicates probable use of these partial excesses. Redistribution to satisfy Service requirements without incurring the movement of supplies unnecessarily has been and remains one of our basic objectives.

The opportunity to comment on this report in draft form is appreciated.

Sincerely,



Glenn V. Gibson
Deputy Assistant Secretary of Defense

PURA PROGRAM PARTICIPANTS (note a)

June 30, 1969

<u>Activity or installation</u>	<u>Location</u>
ARMY:	
2d Logistical Command	Okinawa
U.S. Army Medical Depot	Okinawa
U.S. Army Depot Command	Japan
504th Medical Depot	Japan
8th Army Depot Command	Korea
6th Medical Depot	Korea
U.S. Army, Hawaii	Hawaii
Tripler Army Medical Center	Hawaii
14th Inventory Control Center	Vietnam
U.S. Army Depot, Cam Ranh Bay	Vietnam
U.S. Army Depot, Qui Nhon	Vietnam
Aviation Material Management Center	Vietnam
NAVY:	
Naval Support Activity, Da Nang	Vietnam
Naval Supply Depot, Subic Bay	Philippines
Naval Supply Depot, Yokosuka	Japan
Naval Supply Depot	Guam
Naval Supply Center, Pearl Harbor	Hawaii
MARINE CORPS:	
3d Force Service Regiment	Okinawa
AIR FORCE (note b):	
Pleiku Air Base	Vietnam
Bien Hoa Air Base	Vietnam
Nha Trang Air Base	Vietnam
Bien Thuy Air Base	Vietnam
Da Nang Air Base	Vietnam
Tan Son Nhut Air Base	Vietnam
Cam Ranh Bay Air Base	Vietnam
Phu Cat Air Base	Vietnam
Phan Rang Air Base	Vietnam
Tuy Hoa Air Base	Vietnam
Kadena Air Base	Okinawa
Naha Air Base	Okinawa

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<u>Activity or installation</u>	<u>Location</u>
<u>AIR FORCE</u> (note b) (continued):	
Osan Air Base	Korea
Udorn Royal Thai Air Force Base	Thailand
Ubon Royal Thai Air Force Base	Thailand
Nakhon Phanom Royal Thai Air Force Base	Thailand
Don Muang Royal Thai Air Force Base	Thailand
Korat Royal Thai Air Force Base	Thailand
Takhli Royal Thai Air Force Base	Thailand
U-Tapao Royal Thai Air Force Base	Thailand
Mac Tan Air Base	Philippines
Clark Air Base	Philippines
Tainan Air Base	Taiwan
Shu Lin Kou Air Station	Taiwan
Ching Chuan Kang Air Base	Taiwan
Tachikawa Air Base	Japan
Misawa Air Base	Japan
Yokota Air Base	Japan
Itazuke Air Base	Japan
Wakkanai Air Station	Japan
Hickam Air Force Base	Hawaii

^aSome activities have not, as yet, reported excesses or submitted requisitions to PURA.

^bAir Force activities participate in the PURA program through the Pacific Air Forces Asset Redistribution Center.

PRINCIPAL OFFICIALS
 OF THE DEPARTMENT OF DEFENSE AND
 THE DEPARTMENTS OF THE ARMY, NAVY, AND AIR FORCE
 RESPONSIBLE FOR THE ADMINISTRATION
 OF ACTIVITIES DISCUSSED IN THIS REPORT

	Tenure of office	
	From	To
<u>DEPARTMENT OF DEFENSE</u>		
SECRETARY OF DEFENSE:		
Melvin R. Laird	Jan. 1969	Present
Clark M. Clifford	Mar. 1968	Jan. 1969
Robert S. McNamara	Jan. 1961	Feb. 1968
DEPUTY SECRETARY OF DEFENSE:		
David Packard	Jan. 1969	Present
Paul H. Nitze	July 1967	Jan. 1969
ASSISTANT SECRETARY OF DEFENSE (INSTALLATIONS AND LOGISTICS):		
Barry J. Shillito	Feb. 1969	Present
Thomas D. Morris	Sept. 1967	Jan. 1969
ASSISTANT SECRETARY OF DEFENSE (COMPTROLLER):		
Robert C. Moot	Aug. 1968	Present
Robert N. Anthony	Sept. 1965	July 1968
COMMANDER IN CHIEF, U.S. PACIFIC COMMAND:		
Adm. John S. McCain, Jr.	July 1968	Present
Adm. Ulysses S. G. Sharp, Jr.	July 1964	July 1968

PRINCIPAL OFFICIALS
OF THE DEPARTMENT OF DEFENSE AND
THE DEPARTMENTS OF THE ARMY, NAVY, AND AIR FORCE
RESPONSIBLE FOR THE ADMINISTRATION
OF ACTIVITIES DISCUSSED IN THIS REPORT (continued)

	Tenure of office	
	From	To
<u>DEPARTMENT OF THE ARMY</u>		
SECRETARY OF THE ARMY:		
Stanley R. Resor	July 1965	Present
UNDER SECRETARY OF THE ARMY:		
Thaddeus R. Beal	Mar. 1969	Present
David E. McGiffert	July 1965	Feb. 1969
ASSISTANT SECRETARY OF THE ARMY (INSTALLATIONS AND LOGISTICS):		
J. Ronald Fox	June 1969	Present
Vincent P. Huggard (acting)	Mar. 1969	June 1969
Dr. Robert A. Brooks	Oct. 1965	Feb. 1969
COMMANDING GENERAL, ARMY MATERIEL COMMAND:		
Gen. Ferdinand J. Chesarek	Mar. 1969	Present
Gen. Frank S. Besson, Jr.	July 1962	Mar. 1969
COMANDER IN CHIEF, U.S. ARMY, PACIFIC:		
Gen. Ralph E. Haines, Jr.	July 1968	Present
Gen. Dwight E. Beach	Sept. 1966	June 1968
COMMANDING GENERAL, 2D LOGISTICAL COMMAND, OKINAWA:		
Maj. Gen. Charles T. Horner, Jr.	Mar. 1968	Present
Maj. Gen. Clarence C. Haug	July 1967	Feb. 1968

PRINCIPAL OFFICIALS
OF THE DEPARTMENT OF DEFENSE AND
THE DEPARTMENTS OF THE ARMY, NAVY, AND AIR FORCE
RESPONSIBLE FOR THE ADMINISTRATION
OF ACTIVITIES DISCUSSED IN THIS REPORT (continued)

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
<u>DEPARTMENT OF THE NAVY</u>		
SECRETARY OF THE NAVY:		
John H. Chafee	Jan. 1969	Present
Paul R. Ignatius	Sept. 1967	Jan. 1969
UNDER SECRETARY OF THE NAVY:		
John W. Warner	Feb. 1969	Present
Charles F. Baird	Aug. 1967	Jan. 1969
ASSISTANT SECRETARY OF THE NAVY (INSTALLATIONS AND LOGISTICS):		
Frank P. Sanders	Feb. 1969	Present
Barry J. Shillito	Apr. 1968	Jan. 1969
Vacant	Feb. 1968	Mar. 1968
Graeme C. Bannerman	Feb. 1965	Jan. 1968
CHIEF, NAVAL MATERIAL COMMAND:		
Adm. Ignatius J. Galantin	Mar. 1965	Present
COMMANDER, NAVAL SUPPLY SYSTEMS COMMAND:		
Rear Adm. Bernhard H. Bieri, Jr.	Aug. 1967	Present
COMMANDER IN CHIEF, PACIFIC FLEET		
Adm. John J. Hyland	Jan. 1967	Present

PRINCIPAL OFFICIALS
OF THE DEPARTMENT OF DEFENSE AND
THE DEPARTMENTS OF THE ARMY, NAVY, AND AIR FORCE
RESPONSIBLE FOR THE ADMINISTRATION
OF ACTIVITIES DISCUSSED IN THIS REPORT (continued)

<u>Tenure of office</u>	
<u>From</u>	<u>To</u>

DEPARTMENT OF THE NAVY (continued)

COMMANDANT OF THE MARINE CORPS:

Gen. Leonard F. Chapman, Jr.	Jan. 1968	Present
Gen. Wallace M. Greene, Jr.	Jan. 1964	Dec. 1967

COMMANDING GENERAL, FLEET MARINE
FORCE, PACIFIC:

Lt. Gen. Henry W. Buse, Jr.	June 1968	Present
Lt. Gen. Victor H. Krulak	Mar. 1964	May 1968

DEPARTMENT OF THE AIR FORCE

SECRETARY OF THE AIR FORCE:

Dr. Robert C. Seamans, Jr.	Jan. 1969	Present
Dr. Harold Brown	Oct. 1965	Jan. 1969

UNDER SECRETARY OF THE AIR FORCE:

John L. McLucas	Mar. 1969	Present
Townsend Hoopes	Oct. 1967	Feb. 1969

ASSISTANT SECRETARY OF THE AIR
FORCE (INSTALLATIONS AND LOGIS-
TICS):

Philip N. Whittaker	May 1969	Present
Robert H. Charles	Nov. 1963	Jan. 1969

PRINCIPAL OFFICIALS
 OF THE DEPARTMENT OF DEFENSE AND
 THE DEPARTMENTS OF THE ARMY, NAVY, AND AIR FORCE
 RESPONSIBLE FOR THE ADMINISTRATION
 OF ACTIVITIES DISCUSSED IN THIS REPORT (continued)

Tenure of office	
From	To

DEPARTMENT OF THE AIR FORCE (continued)

COMMANDER, AIR FORCE LOGISTICS

COMMAND:

Gen. Jack G. Merrell	June 1968	Present
Lt. Gen. Lewis L. Mundell	Feb. 1968	Mar. 1968
Gen. Thomas P. Gerrity	Aug. 1967	Feb. 1968

COMMANDER IN CHIEF, PACIFIC AIR
 FORCE:

Gen. Joseph J. Nazzaro	Aug. 1968	Present
Gen. John D. Ryan	Feb. 1967	July 1968

