Audit Report

OFFICE OF THE INSPECTOR GENERAL

IMPLEMENTATION OF THE DOD ASSET VISIBILITY PLAN AT THE DEFENSE LOGISTICS AGENCY

Report No. 97-016

October 31, 1996

Department of Defense

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Acronyms

DAASC	Defense Automatic Addressing Systems Center
DEPRA	Defense Program for the Redistribution of Assets
DLA	Defense Logistics Agency
DTAV	Defense Total Asset Visibility
TAV	Total Asset Visibility

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Report No. 97-016 October 31, 1996

MEMORANDUM FOR DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Audit Report on the Implementation of the DoD Asset Visibility Plan at the Defense Logistics Agency (Project No. 6LD-0020)

Introduction

We are providing this report for your information and use. Total Asset Visibility (TAV) is the ability of the DoD logistics system to gather current information about the condition, location, movement, quantity, and status of assets anywhere in the logistics system in order to improve the logistics process. This report discusses one area of the TAV requirements--Visibility of Assets In-Storage or In-Process--specifically, the Lateral Redistribution Project and the Procurement Offset Project. The Defense Logistics Agency (DLA) supply centers participate in the DoD Materiel Returns Program and, since August 1994, participated in the Lateral Redistribution Project and the Procurement Offset Project that were designed to solve specific asset visibility problems. From February 1995 through March 1996, DLA supply centers redistributed $354.5 million of materiel (valued at acquisition cost) under those programs. In addition, the Defense Automatic Addressing Systems Center (DAASC), an element of DLA, redistributed excess materiel through the Defense Program for the Redistribution of Assets (DEPRA) program; however, DAASC could not tell us how much was related to DLA-managed materiel. (See Enclosure 1 for a description of the DoD Materiel Returns Program, the Lateral Redistribution Project, the Procurement Offset Project, and DEPRA.)

Audit Results

The DLA supply centers made improvements in overall asset visibility through implementation of two TAV initiatives--the Lateral Redistribution and Procurement Offset Projects. From February 1995 through March 1996, the Lateral Redistribution Project redistributed $10.6 million of materiel owned by retail organizations[1], and the Procurement Offset Project used $3.5 million of excess retail assets to offset procurement requirements.

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[1]Retail organizations are DoD intermediate and consumer levels of supply, including Army installations, Navy ships and shore installations, Air Force base supply organizations, and Marine Corps base supply organizations.

We identified errors in the processing of lateral redistribution transactions. Those errors were not significant and were identified to management during the audit. A summary of the errors identified, and the corrective actions taken by management follows. See Enclosure 2 for a discussion of the benefits of the TAV initiatives that were achieved.

Audit Objectives

Our objectives were to evaluate the DLA implementation of the TAV initiatives to determine whether overall asset visibility improved, whether lateral redistribution of materiel was being effectively accomplished, and whether DLA supply centers were using retail stocks in their requirements computations. We also included a review of the management control program and performance indicators as they applied to our objectives.

Scope and Methodology

Scope. We reviewed DLA policy and procedures related to the redistribution of Service-owned DLA-managed materiel under TAV initiatives, including the Lateral Redistribution Project and the Procurement Offset Project. DLA developed specific business rules that outline the duties and responsibilities of each Service retail organization and DLA wholesale supply center. Enclosure 3 lists those business rules and Enclosure 4 lists the DLA supply centers and the 16 retail organizations that participated in the lateral redistribution project.

We reviewed records for the lateral redistribution and procurement offset prototype projects, and the materiel returns program transactions from February 1995 through March 1996. Those records included the backorder requisition file (March 1996), requisition history file (May 1996), and the transaction history file (March 1995 through February 1996). In addition, we reviewed the source preference and exclusion tables that identified exceptions to the TAV program.

Computer-Processed Data. We analyzed the data available from computer reports and records that DLA supply centers used to manage the TAV projects. Except as noted below, we did not independently determine the reliability of the computer-processed data.

Audit Period, Standards, and Location. We performed this economy and efficiency audit from January through July 1996 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. Enclosure 5 lists the organizations visited or contacted during the audit.

Methodology. We reviewed all TAV credit transactions issued by the DLA supply centers from February 1995 through March 1996 to determine whether retail organizations that redistributed materiel received credit for the materiel and related shipping costs (including packing, crating, handling, and

transportation costs). There were 605,513 materiel credit transactions valued at $357.4 million and 1,211,289 shipping credit transactions valued at $19.3 million.

We judgmentally reviewed 1,575 requisition transactions (620 customer requisitions) with a value of $659,872 for which we identified quantity differences between the redistribution transaction, the supply status transaction, and the shipped status transaction to determine whether those transactions were processed correctly. We selected those requisition transactions from 45,303 customer requisitions for lateral redistributions and procurement offsets, totaling $14.1 million, processed from February 1995 through March 1996. We also reviewed those transactions to determine whether organizations receiving the materiel were properly billed for the standard price of the materiel.

We also judgmentally selected 57 stock numbers that had backorders as of March 1996. We queried the TAV systems of the Military Departments to determine whether retail stocks could fill those backorders. Our inquiry included retail organizations that participated in the DLA redistribution project and selected other retail organizations. We also contacted other retail organizations that either requisitioned those stock numbers or returned excess materiel during the last 2 years.

Management Control Program

DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987, requires DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

We reviewed the adequacy of management controls over the TAV initiatives, including the retail lateral redistribution project, the procurement offset project, and the materiel returns program. Because we did not identify a material weakness, we did not assess management's self-evaluation. Management controls over the TAV initiatives were adequate as they applied to the audit objectives.

Performance Indicators

The DLA was selected in January 1994 as the initial DoD pilot project under the provisions of the Government Performance and Results Act of 1993. DLA selected performance indicators that focused on specific outcomes presented in the DoD Logistics Strategic Plan. The TAV initiatives are part of the overall performance indicator to "Reduce Logistics Cycle Time." In FY 1996 and FY 1997, the DLA established a 1-day target for issuing materiel from stock and a 30-day target for delayed issues. DLA had no specific performance indicators for the TAV projects.

Summary of Prior Audits

During the last 5 years, no audit reports addressed the DLA TAV Initiatives.

Background

DoD Regulation 4140.1-R, "DoD Materiel Management Regulation," January 25, 1993, identifies the general objectives and the policies and procedures for the visibility and redistribution of assets at all levels of supply, including retail and wholesale supply organizations, and disposal organizations. Organizations that redistribute materiel are reimbursed for either the latest acquisition cost or the standard price of the materiel, depending on the rules for each redistribution program. For most programs, retail organizations are also reimbursed for shipping costs.

DoD Logistics Strategic Plan. The DoD Logistics Strategic Plan, July 17, 1995, prepared by the Office of the Deputy Under Secretary of Defense (Logistics), focused on achieving improvements in logistics system performance through various goals, objectives, and strategies. One goal is to reduce logistics cycle time -- the time required to get materiel to a customer. To achieve that goal, the plan identified the implementation of TAV as a principal objective.

Defense Total Asset Visibility Implementation Plan. Overall responsibility for achieving TAV rests with the Deputy Under Secretary of Defense (Logistics). The Defense Total Asset Visibility (DTAV) Council, under the direction of the Deputy Under Secretary, provides a senior forum to resolve major issues affecting DoD logistics. A Joint DTAV Office was established to provide daily management of and to coordinate all TAV initiatives, to monitor the execution of the DTAV Implementation Plan, and to advise the DTAV Council on the status of its implementation. It includes representatives from the Deputy Chief of Staff (Logistics) or equivalent of the Military Departments, DLA, the Joint Staff, and the U.S. Transportation Command.

The charter of the DTAV Council was still under development in July 1996; however, the November 1995 DTAV Implementation Plan, initially developed in 1992, was approved on May 23, 1996. Although the plan was only recently finalized, DLA participated in several prototype projects that were designed to solve specific TAV problems and gain experience with the automated tools that are key to capturing and exchanging information. We reviewed existing redistribution programs and two DTAV prototype projects--the Lateral Redistribution Project and Procurement Offset Project--as part of this audit.

Discussion

The DLA supply centers have made improvements in overall asset visibility through implementation of the Lateral Redistribution and Procurement Offset Projects. Through those projects and increased participation by retail organizations, DLA supply centers have been able to fill requirements from

available retail assets without having to purchase additional materiel. The success of those projects resulted in the expansion of the projects to all supply centers, and eventually, to more retail organizations. The lessons learned in developing those projects will help in their implementation to other organizations. The following discussion describes the projects and highlight minor errors we identified during our audit. The errors we identified should be considered when expanding the projects to include additional retail organizations.

Asset Visibility Improvements

Lateral Redistribution Project. Participating DLA supply centers interrogated the Military Department asset visibility systems to determine whether the systems identified materiel that could be used to fill backordered requisitions. Retail organizations that redistributed the materiel to other retail organizations were reimbursed for the standard price of the materiel and the related shipping costs. From February 1995 through March 1996, DLA laterally redistributed $10.6 million of retail materiel, excluding fuels and subsistence. DLA reimbursed retail organizations for the value of that materiel and related shipping costs of $436,298. Figure 1 shows that the value of DLA lateral redistributions were generally increasing from February 1995 through March 1996.

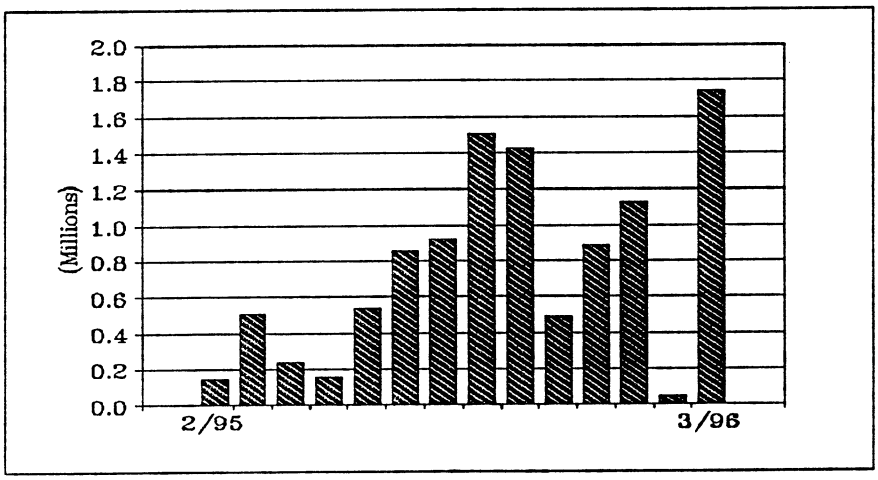


Figure 1. Value of Lateral Redistribution Transactions

Procurement Offset Project. Participating DLA supply centers also interrogated the Military Department asset visibility systems when they needed to procure additional materiel to determine whether the systems identified excess assets at retail organizations. Retail organizations that returned materiel to storage depots were reimbursed for the acquisition cost of the materiel and the related shipping costs. From February 1995 through March 1996, DLA directed retail organizations to ship $3.5 million of excess materiel to storage depots to offset existing procurement requirements. Those retail organizations

were reimbursed for the value of that materiel and $182,536 for related shipping costs. Figure 2 shows that the value of materiel used for procurement offsets were generally increasing from February 1995 through March 1996.

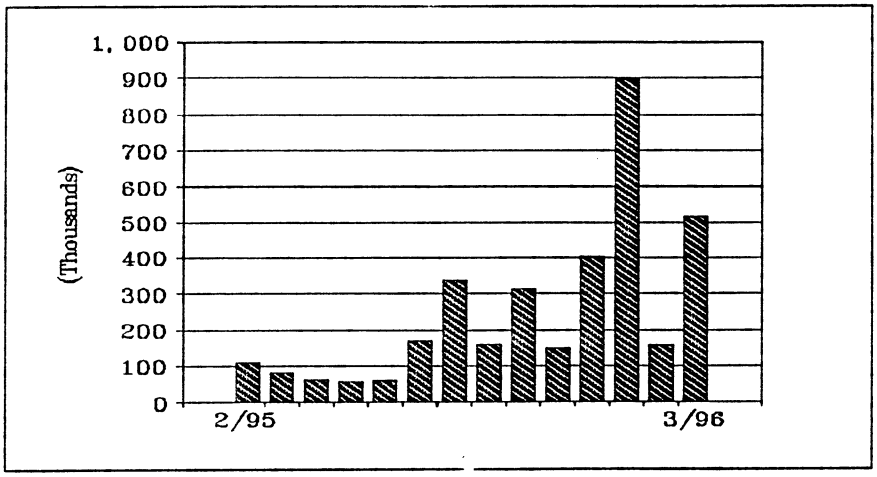


Figure 2. Value of Procurement Offset Transactions

DLA achieved benefits by implementing the Lateral Redistribution and Procurement Offset Projects. See Enclosure 2 for a detailed discussion of the major benefits achieved as a result of implementing the TAV initiatives.

Minor Errors Identified

Redistribution transactions, including the shipment, receipt, bill, and credit processes, contained errors. We consider the errors minor and the actions to correct them appropriate and timely. Other discrepancies included longstanding problems that were not unique to the TAV initiatives. The discrepancies were:

o incorrect shipment of and billing for materiel and crediting for materiel and shipping costs,

o problems with legacy systems,

o incorrect credit reimbursements for shipping costs, and

o incorrect issuing charges by former Navy storage depots.

Shipment and Billing Transactions. Retail organizations did not always receive the quantity of materiel that was ordered and were billed for a greater quantity of materiel than they received. We judgmentally selected a sample of 653 customer requisitions that included quantity differences between the initial redistribution transaction and subsequent supply and shipment status transactions. Because materiel was not available at a DoD storage depot, each requisition was filled from multiple sources. DLA supply centers were unable

to provide information for 33 requisitions. The remaining 620 customer requisitions included 1,660 redistribution transactions. Because action was pending for 85 of the 1,660 redistribution transactions we could not categorize the final disposition of those transactions. The following paragraphs summarize the results of the remaining 1,575 redistribution transactions. We provided copies of those transactions with shipping and billing errors to DLA personnel for further review. DLA personnel will determine corrective action to be taken.

Shipping Errors. For the 1,575 transactions we reviewed, customers received materiel either from available storage depot stocks (892 transactions) or from other retail organizations (683 transactions). For 1,538 of the 1,575 we reviewed, customers received the quantity of materiel that was ordered. Customers received more materiel (totaling $652) than the quantity ordered for 17 of the remaining 37 transactions, and customers received less materiel (totaling $4,084) than the quantity ordered for 20 transactions. In most cases, customers received more than the requisition quantity because the requisition processing system changed the quantity to conform to unit packing quantities. Customers received less than the requisition quantity because the transactions were "force-closed" (document identifier "ARH"[2]) before all the materiel was shipped. There was no evidence that the force-closed quantities were shipped or received after the ARH transactions were processed.

Billing Errors. Retail organizations receiving the materiel were correctly billed and retail organizations that shipped the materiel were correctly reimbursed for 1,504 of the 1,575 transactions that were filled. For the remaining 71 transactions, retail organizations were overbilled $44,903 for 70 transactions and underbilled $88 for 1 transaction.

In 42 of the 71 transactions, the retail organizations were overbilled because "force-close" transactions were posted to the file. Those transactions closed the redistribution transaction and either billed the retail organizations for the remaining unshipped quantity or billed for the entire quantity ordered, even though the retail organizations were already billed.

Legacy Systems Problems. The incompatibility of the DLA and Military Department computer systems (legacy systems) have contributed to delays in the full implementation of the DLA TAV initiatives. To accommodate TAV business rules and procedures, DLA and the Military Departments have had to make changes to the legacy systems. While some of the incompatibilities in those systems were corrected, additional problems have been identified and corrective action was pending. Those problems are identified below.

Army Responses to Redistribution Transactions. Army organizations have been participating in the TAV program since September 1995. Of the three Army Materiel Command organizations that were participating, two, Picatinny and Redstone, were denying or not responding to the redistribution

[2]The "ARH" document identifier is a pseudo-materiel release confirmation document that the computer prepares to close outstanding unconfirmed materiel release orders.

transactions sent to them. The Army reviewed its systems to determine the reason for the excessive denials and discovered that the Army legacy systems could not fill requisitions that included suffix codes[3]. Solutions have been developed and will be implemented by October 1996. In addition, the Army found that retail organizations were not responding to redistribution orders either because they were not aware of existing procedures or because they chose not to respond. The Army advised the participating organizations to comply with the requirements of the DLA TAV initiatives.

Navy Financial Subsystem Problems. The Navy Fleet Industrial Supply Center, Puget Sound, Washington, had been experiencing problems with the financial subsystem of the TAV program. The Navy was working to resolve the problem and had turned off the TAV process until a solution could be found.

Air Force Supply Systems Problems. Air Force bases were experiencing a computer systems problem that affected the TAV program but the problem was not specifically related to the implementation of the TAV program. During FYs 1995 and 1996, the Air Force corrected 12 systems problems; however, Air Force organizations were still "losing" transactions, including redistribution orders. The Air Force did not specifically know how many transactions were lost.

We reviewed recent incoming transactions and the resulting processing and rejected transaction files to determine whether some commonality to the "lost" transaction problem existed. We identified no obvious causes for those system problems. The Air Force requested its programmers to review and correct the systems before DLA expands the TAV program to other Air Force organizations.

Credit Reimbursements. The Defense Personnel Support Center, Directorate of Medical Materiel, did not reimburse retail organizations the correct amount for shipping costs. DLA supply centers agreed to reimburse participating organizations 3.5 percent of the materiel acquisition cost to offset the packing, crating, and handling cost incurred by those organizations and 2 percent of the materiel acquisition cost to offset transportation costs. All DLA supply centers, except the Defense Personnel Support Center, Directorate of Medical Materiel, complied with that requirement. The Medical Directorate reimbursed retail organizations only 1 percent for packing, crating, and handling costs and 1 percent for transportation costs. As a result, from February 1995 through March 1996, retail organizations were reimbursed $5,000 less than the reimbursement amount they agreed to. We advised DLA headquarters of this error and DLA instructed the Medical Directorate to change the reimbursement percents to conform with the 3.5-percent value and the 2-percent value in the statements of work.

[3]Suffix codes identify partial actions taken on the original requisition without duplicating or causing loss of identity of the original document number.

Issuing Charges. The DLA supply centers were charging collocated retail organizations to issue materiel from former Navy storage depots. DLA storage depots, formerly operated by the Navy, billed retail organizations ($9 to $39) for each redistribution transaction that was processed under the TAV program. Those depots were collocated with Navy Fleet Industrial Supply Center organizations. DLA supply centers reimbursed those retail organizations 5.5 percent of the acquisition cost of the materiel shipped. The TAV program statement of work, dated March 1994, stated that there would be no billing for issues from former Navy storage depots and no credit reimbursements for shipping costs. DLA agreed that the billing for issues and reimbursements for shipping costs was in error. DLA was reprogramming the storage depot computer systems to correct that error. The correction is expected to be completed by the end of FY 1996.

Other Matters of Interest

Retail organizations that participated in the TAV projects and those not participating in the projects had available assets that could be used to fill existing backorders. We judgmentally selected a sample of 57 stock numbers that the DLA supply centers identified with a large number of backordered requisitions.

Participating Retail Organizations. Participating retail organizations had assets available that could be used to fill existing backordered requisitions. Before July 1996, all participating retail organizations did not redistribute materiel with all DLA supply centers. (See Enclosure 4 for a list of the retail organizations and the participating DLA supply centers.) We interrogated the Military Department TAV systems to determine whether participating retail organizations had assets for DLA supply center items for which they were not redistributing materiel. Assets, totaling $3,696, were on hand for five stock numbers. Of the five stock numbers, assets for two stock numbers could have been used to fill existing high priority backorders totaling $823.

Non-Participating Retail Organizations. Retail organizations that did not participate in the TAV projects had assets that could have been used to fill existing backordered requisitions. We reviewed DLA 2-year transaction histories for the sample of 57 stock numbers and identified retail organizations that either requisitioned the items to fill retail stock levels or returned materiel to DLA because the materiel was no longer needed. Assets, totaling $2.4 million ($2.3 million below the requirement objective), were on hand for 23 stock numbers. Of the 23 stock numbers, assets for 19 stock numbers could have been used to fill high priority backorders totaling $331,268.

Management Actions

Personnel at DLA corrected some of the deficiencies identified in this report. In addition, they stated that they would review the transaction errors identified and discuss those discrepancies with existing and new retail organizations.

Summary

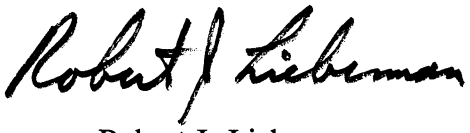
The DLA TAV initiatives generally succeeded in filling existing backordered requisitions and deferred or reduced procurement requirements by using existing retail assets. In July 1996 all DLA supply centers were participating in the TAV projects with all the participating retail organizations. The number of participants should increase the number of redistribution to fill backordered requisitions and defer or reduce procurement requirements. Working with the Military Departments, DLA should continue to increase the number of participating retail organizations, which would further reduce the outstanding requirements by using available assets.

The discrepancies identified in the report were minor and actions to correct them were appropriate and timely. Other discrepancies included longstanding problems that were not unique to the TAV initiatives. The discrepancies were included in this report as lessons learned, because DLA and the Military Departments planned to expand the TAV program to include all supply centers and most of the retail organizations.

Management Comments

We provided a draft of this report on September 16, 1996. Because this report contains no recommendations, written comments were not required, and no comments were received. Therefore, we are publishing this report in final form.

We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Mr. Gordon P. Nielsen, Audit Program Director, at (703) 604-9402 (DSN 664-9402). Enclosure 6 lists the distribution of the report. The audit team members are listed on the inside back cover.



Robert J. Lieberman
Assistant Inspector General
for Auditing

Enclosures

Lateral Redistribution Programs

The DLA supply centers participated in several programs that provide for the redistribution of materiel that was either critically needed by an organization for which no wholesale stocks existed or that was excess to retail organization requirements and used to offset wholesale procurement requirements. Those programs are discussed below.

DoD Materiel Returns Program. The DoD Materiel Returns Program provides a mechanism for retail organizations to return excess serviceable materiel to wholesale supply centers to reduce current or future requirements. Depending on current stock levels, retail organizations can be reimbursed for the acquisition cost of the materiel returned to wholesale storage depots. In addition, those organizations were reimbursed an additional 5.5 percent of the acquisition cost to cover related shipping costs.

From February 1995 through March 1996, DLA supply centers, excluding fuels and subsistence, received $343.3 million of excess materiel from retail organizations. Retail organizations were reimbursed $204.5 million for returning the materiel; the remaining $138.8 million of materiel was returned to wholesale storage depots without credit. In addition, retail organizations were reimbursed $18.7 million for shipping costs related to the $343.3 million of materiel.

Defense Program for the Redistribution of Assets. The DEPRA was originally designed as a procedure for redistributing intratheater materiel located overseas. In February 1987, the Navy adapted the DEPRA procedures for the lateral redistribution of excess DLA-managed, Service-owned materiel among Navy organizations located in the continental United States; the Air Force followed in January 1988. The Navy and the Air Force, in coordination with the DAASC, developed specific procedures for implementing the DEPRA program.

The DAASC is the central servicing organization responsible for receiving, routing, and transmitting requisitions, supply transactions, and other logistics data among DoD organizations. DAASC directs and controls the redistribution of materiel reported under the DoD Materiel Returns Program to retail organizations that participate in DEPRA. DLA supply centers do not participate in the redistribution. Reimbursements for materiel and shipping costs, if any, are made by the Navy and Air Force, not by DLA supply centers. DAASC was not able to provide the number or value of redistributions for DLA-managed Service-owned materiel.

DLA TAV Initiatives. The DLA implemented two DTAV prototype projects--the Lateral Redistribution Project and the Procurement Offset Project. DLA supply centers participating in the projects had access to the Military Department asset visibility systems to identify DLA-managed, Service-owned materiel. DLA supply centers used that materiel either to fill backorders or to reduce procurement requirements. Reimbursements for materiel and shipping costs were made by DLA supply centers.

Benefits the TAV Achieved

The major benefits of the DLA TAV initiatives were:

o improved weapon system readiness through visibility projects directed and controlled by DLA supply centers;

o reduced backorders by using available retail assets, including materiel below the safety level;

o deferred or reduced procurements by using available excess materiel; and

o automated billing and crediting for redistribution transactions through existing interfund billing processes.

Improved Readiness. The DLA supply centers used existing retail assets to fill high priority backorders and excess retail assets to reduce procurement requirements. As a result, those assets were used to repair weapon systems and equipment that was not capable of performing any of their assigned missions. The lateral redistribution and procurement offset projects were aimed at DoD Components sharing assets in storage at the retail level and sharing assets below the retail requisitioning objective. Those projects resulted in formal agreements between Military Departments to provide visibility of Service-owned, DLA-managed assets to DLA supply centers. The agreements resulted in computer interfaces between the DLA Standard Automated Materiel Management System and the Army Total Asset Visibility system, the Navy Virtual Master Stock Item Record system, and the Air Force Standard Base Supply System. DLA supply centers requested information and the Military Departments provided responses on a near real-time basis.

From August 1994 through July 1996, 16 retail organizations participated in the DLA projects, either partially or completely. During that period, three Navy organizations were closed. Beginning in July 1996, the 13 organizations completely participated in both the lateral redistribution and procurement offset projects with all DLA supply centers, excluding fuels and subsistence. DLA did not plan to include the medical commodity in the procurement offset project.

The DLA was scheduled to add additional retail organizations beginning in July 1996 that included additional Army Material Command Installation Supply System organizations, Naval Air Stations and Fleet Industrial Supply Centers, and the Air Force Air Combat Command organizations. Because uncorrected systems problems existed, those organizations were not added at the end of July 1996.

Future plans will include Army organizations overseas, Navy shipyards, aviation depots (including Marine Corps sites), Air Force Air Logistics Centers, and the remaining Standard Base Supply System Air Force Bases.

Reduced Backorders. The DLA Lateral Redistribution Project redistributed available retail assets to fill existing backorders. Materiel backorders were created when a retail organization submitted a requisition to a DLA supply center and no materiel was available in a storage depot to fill that requirement. From February 1995 through March 1996, excluding subsistence and fuels commodities, the number of outstanding backorders at DLA supply centers decreased from 615,000 to 538,000. During that same period, the Lateral Redistribution Project filled 26,893 backorders totaling $10.6 million from materiel that was available at retail organizations, principally high priority requirements. Figure 2-1 shows the number of outstanding backorders for the DLA supply centers by month from October 1993 through April 1996.

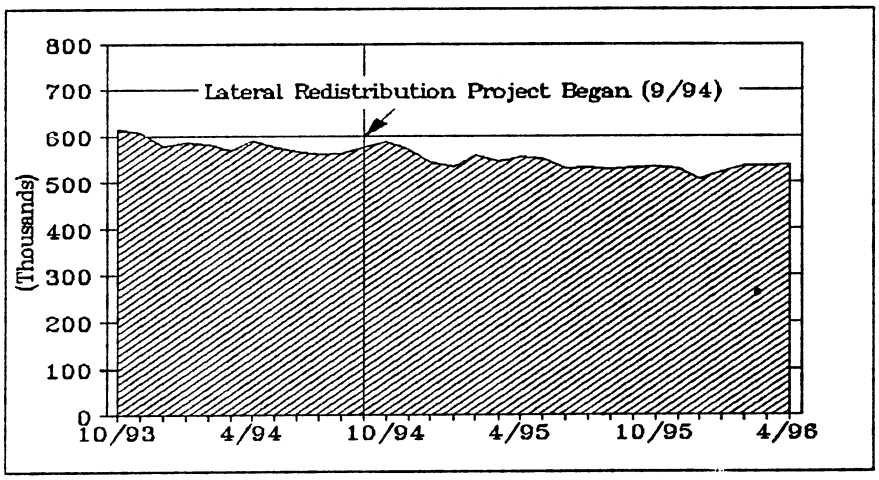


Figure 2-1. Number of Backordered Requisitions

Deferred or Reduced Procurements. The DLA Procurement Offset Project used existing excess retail assets to defer or reduce current procurement requirements. DLA supply centers determined when to procure additional materiel when the quantity of an item on hand fell below the reorder point. For items that met that criteria, DLA supply centers interrogated participating retail organizations in the Navy and the Air Force to determine whether excess materiel was on hand that could have been used to fill their requirement deficit--the difference between the stock on hand and the reorder point. From February 1995 through March 1996, DLA reduced procurement requirements by $3.5 million because retail organizations returned excess materiel (for 8,088 stock numbers) to DLA storage depots.

Automated Billing Procedures. The DLA supply centers used existing billing procedures to reimburse retail organizations that shipped materiel for the value of materiel and related shipping costs and billed retail organizations for the value of materiel received from other retail organizations. DoD regulations require that DLA supply centers provide reimbursement to retail organizations that redistribute materiel when the redistribution process is directed and controlled by DLA supply centers. DLA and the Military Departments have made appropriate adjustments to the automated supply systems to process the necessary billing and credit transactions. Based on a review of 1,575 redistribution transactions, to fill 620 customer requisitions, the billing and crediting process was generally well implemented.

Total Asset Visibility Business Rules

Except as noted, DLA and each of the Military Departments agreed to the following business rules in formal statements of work.

- o Only condition code "A" (serviceable) assets are visible for organizations on line with TAV.

- o All backorders can be filled from eligible assets above the requisitioning objective.

- o High priority backorders (priority 1 to 3) can be filled from assets below the requisitioning objective. (The Military Departments will issue all available materiel for "not mission capable supply" requisitions. A not mission capable supply requisition is a materiel condition indicating that systems and equipment are not capable of performing any of their assigned missions because of maintenance work stoppages due to a supply shortage. For other than not mission capable supply requisitions, the Air Force will issue only to the safety level; the other Military Departments will not issue below the requisitioning objective.)

- o Army war reserve and project stocks are not eligible for redistribution.

- o Redistributions will be processed in accordance with the priority sequence established in DoD 4000.25-1, "Military Standard Requisitioning and Issue Procedures," May 1, 1987, as amended.

- o All redistribution orders will be processed on a "fill or kill" basis. A retail organization will either fill the redistribution order or refer it back to the DLA supply center. The retail organization will not place the redistribution on backorder.

- o All redistribution orders will be processed through established automated processing systems operated by the DAASC using standard transaction formats.

- o All redistribution orders will be processed within the uniform materiel movement and issue priority system time frames.

- o The DLA will reimburse the shipping retail organizations for the standard price for lateral redistributions and latest acquisition cost for materiel returns and procurement offset transactions. Additionally, DLA will reimburse those organizations 3.5 percent of latest acquisition cost for packing, crating, and handling and approximately 2 percent of latest acquisition cost for transportation.

- The DLA will not reimburse retail organizations for packing, crating, and handling or for transportation costs when the materiel is shipped from storage depots that were previously owned by the Military Departments. Additionally, DLA distribution depots will not charge retail organizations for issuing the materiel from those depots.

- Navy retail organizations that participate in the TAV projects will no longer participate in the DEPRA program.

- All retail organizations will provide positive responses (notices of available materiel) in response to DLA inquiries. Army organizations will also provide negative responses.

- Retail organizations will not bill other retail organizations for materiel that was shipped to them as the result of a lateral redistribution that was directed by DLA. DLA supply centers will bill retail organizations receiving the materiel and credit those shipping the materiel.

DLA Lateral Redistribution Project Participants

The following table shows the participating retail organizations, and DLA supply centers as of June 1996. Beginning in July 1996, all DLA supply centers participated with the retail organizations. During FY 1995, three Navy retail organizations were closed by the Base Realignment and Closure (BRAC) Act.

Participating Retail Organizations and DLA Supply Centers
(as of June 1996)

Service (Beginning Date)	DLA Wholesale Supply Centers
Army (September 1995)	DISC[1] and DSCC[2]
Army Material Command Installation Supply System Organizations Letterkenny, Pennsylvania Picatinny, New Jersey Redstone, Alabama	
Navy (August 1994)	All Centers
Fleet Industrial Supply Centers Charleston, South Carolina (BRAC-April 1995) Jacksonville, Florida Norfolk, Virginia Oakland, California (BRAC-June 1995) Pensacola, Florida (BRAC-September 1995) Puget Sound, Washington (Systems problems August 1995) San Diego, California	
Air Force (September 1994)	DESC[3]
Air Force Bases Barksdale, Louisiana Eglin, Florida Hurlburt Field, Florida Keesler, Mississippi Moody, Georgia Tyndall, Florida	

[1]DISC - Defense Industrial Supply Center, Philadelphia, Pennsylvania.
[2]DSCC - Defense Supply Center Columbus, Columbus, Ohio.
[3]DESC - Defense Electronics Supply Center, Dayton, Ohio.

Organizations Visited or Contacted

Office of the Secretary of Defense

Under Secretary of Defense (Acquisition and Technology), Washington, DC
  Deputy Under Secretary of Defense (Logistics), Washington, DC
    Defense Total Asset Visibility Council, Washington, DC

Department of the Army

U.S. Army Deputy Chief of Staff for Logistics, Washington, DC
U.S. Army Training and Doctrine Command, Fort Sill, OK
  Fort Benning, Columbus, GA
  Fort Sill, Lawton, OK
U.S. Army Materiel Command, Alexandria, VA
  Tobyhanna Army Depot, Tobyhanna, PA
  TAV Project Office, Letterkenny Army Depot, Chambersburg, PA
U.S. Army Medical Command, Fort Detrick, Frederick, MD
U.S. Army Forces Command, Fort Polk, LA
  Fort Bragg, Fayetteville, NC
  Fort Campbell, Hopkinsville, KY
  Fort Carson, Colorado Springs, CO
  Fort Drum, Watertown, NY
  Fort Hood, Killeen, TX
  Fort Irwin, Barstow, CA
  Fort Lewis, Tacoma, WA
  Fort Polk, Leesville, LA
  Fort Riley, Junction City, KS
  Fort Stewart, Savannah, GA
U.S. Army Pacific Command, Fort Shafter, HI
  Fort Richardson, Anchorage, AK
U.S. Army Industrial Operations, Rock Island, IL

Department of the Navy

Naval Supply Systems Command, Washington, DC
  Navy Inventory Control Point, Mechanicsburg, PA
  Fleet Industrial Supply Center, Norfolk, VA
Marine Corps Base, Camp Lejeune, NC
1st Marine Division, Camp Pendleton, CA

Department of the Air Force

Deputy Chief of Staff (Logistics), Washington, DC
Air Combat Command, Langley Air Force Base (AFB), VA
  Seymour Johnson AFB, Goldsboro, NC
Air Force Materiel Command, Wright-Patterson AFB, OH
  Air Logistics Center, Hill AFB, UT
  Air Logistics Center, Kelly AFB, TX
  Air Logistics Center, McClellan AFB, CA
  Air Logistics Center, Robins AFB, GA
  Air Logistics Center, Tinker AFB, OK
Air Education and Training Command, Randolph AFB, TX
  Tyndall AFB, Panama City, FL
96th Supply Suadron, Eglin AFB, FL
Standard Systems Group, Gunter AFB, AL

Defense Logistics Agency

Headquarters, Defense Logistics Agency, Fort Belvoir, VA
  Defense Electronics Supply Center, Dayton, OH
  Defense Industrial Supply Center, Philadelphia, PA
  Defense Personnel Support Center, Philadelphia, PA
  Defense Supply Center, Columbus, OH
  Defense Supply Center, Richmond, VA
  Defense Distribution Region West, Stockton, CA
    Defense Distribution Depot, Ogden, UT
  Defense Automatic Addressing Systems Center, Dayton, OH

Report Distribution

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  Deputy Chief Financial Officer
  Deputy Comptroller (Program/Budget)
Under Secretary of Defense for Acquisition and Technology
  Deputy Under Secretary of Defense (Logistics)
  Director, Defense Logistics Studies Information Exchange
Assistant to the Secretary of Defense (Public Affairs)

Department of the Army

Auditor General, Department of the Army
Total Asset Visibility Project Office

Department of the Navy

Assistant Secretary of the Navy (Financial Management and Comptroller)
Auditor General, Department of the Navy

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force

Defense Organizations

Director, Defense Contract Audit Agency
Director, Defense Logistics Agency
  Defense Industrial Supply Center
  Defense Personnel Support Center
  Defense Supply Center, Columbus
  Defense Supply Center, Richmond
Director, National Security Agency
  Inspector General, National Security Agency
Inspector General, Defense Intelligence Agency

Non-Defense Federal Organizations and Individuals

Office of Management and Budget
General Accounting Office
National Security and International Affairs Division
Technical Information Center

Chairman and ranking minority member of each of the following congressional committees and subcommittees:

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on National Security, Committee on Appropriations
House Committee on Government Reform and Oversight
House Subcommittee on National Security, International Affairs, and Criminal Justice, Committee on Government Reform and Oversight
House Committee on National Security

Audit Team Members

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