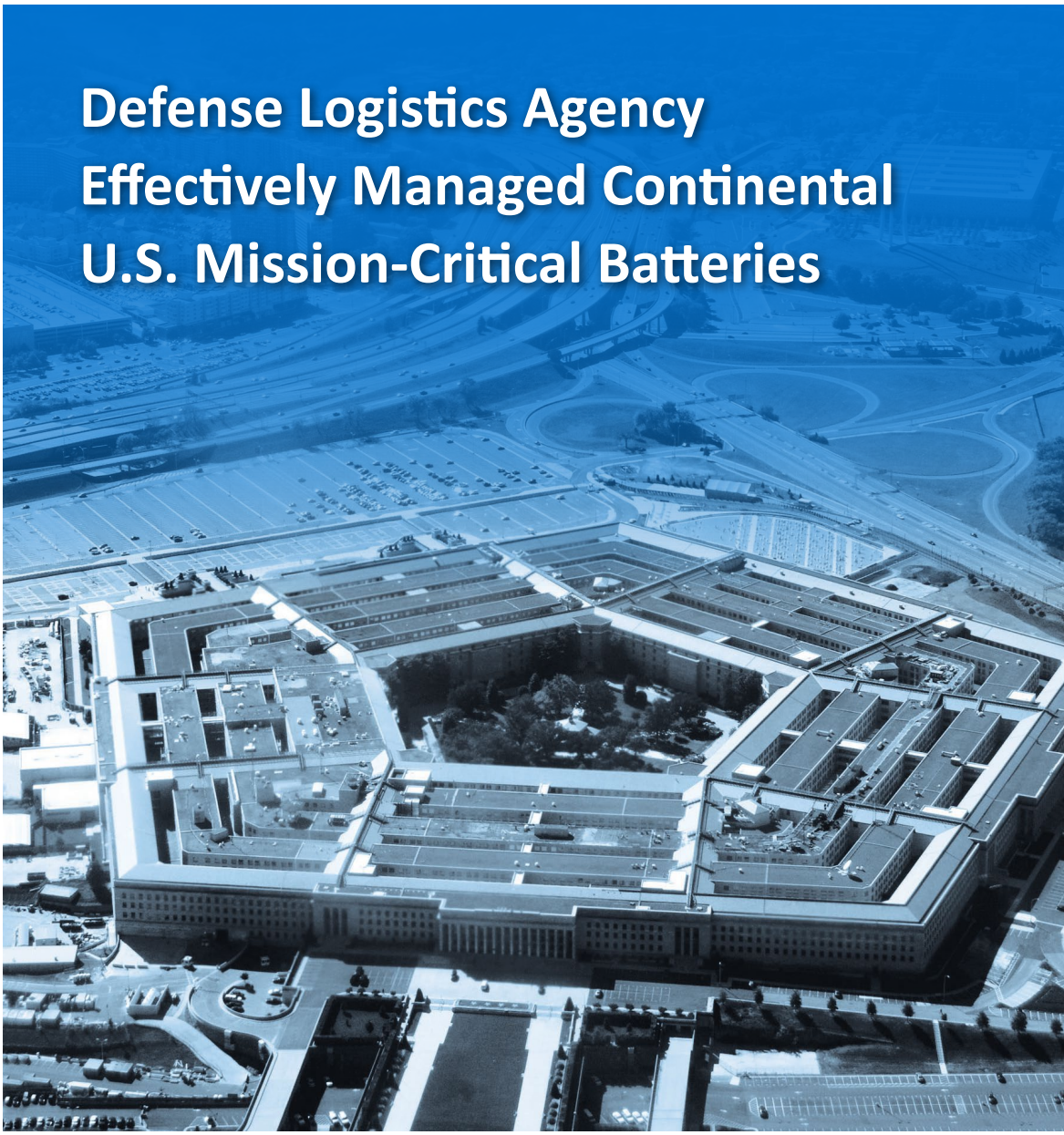
Report No. DoDIG-2014-032

Inspector General

U.S. Department of Defense

JANUARY 27, 2014

Defense Logistics Agency Effectively Managed Continental U.S. Mission-Critical Batteries



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Results in Brief

Defense Logistics Agency Effectively Managed Continental U.S. Mission-Critical Batteries

January 27, 2014

Objective

We determined whether the Defense Logistics Agency effectively fulfilled warfighter requirements for batteries designated mission-critical by military services. Specifically, we determined whether Defense Logistics Agency met the 4-day continental U.S. time definite delivery standard for fiscal year 2012 mission-critical battery requisitions. The DoD Supply Chain Materiel Management Regulation notes that the time definite delivery concept represents 85 percent of the total time that the wholesale supply system is capable of delivering the required materiel to its customers.

Finding

The Agency met the 4-day continental U.S. time definite delivery standard for 82 of 96 requisitions for mission-critical batteries

Finding Continued

reviewed at four continental U.S. installations. The Agency did not meet the 4-day standard for 14 requisitions because the batteries were on backorder or deliveries were delayed. However, we found no adverse impact to the customer operations where the 14 requisitioned mission-critical batteries delivered did not meet the 4-day standard. Adverse impact was avoided because customers used alternative replacement batteries on-hand that performed the same intended need or identified alternative solutions until the requisitioned batteries were delivered. Therefore, we did not make recommendations.

Management Comments

No response to this report was required, and none was received. Therefore, we are publishing this report in final form.

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INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

January 27, 2014

MEMORANDUM FOR DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Defense Logistics Agency Effectively Managed Continental U.S. Mission-Critical Batteries (Report No. DoDIG-2014-032)

We are providing this report for your information and use. DLA met a 4-day continental U.S. time definite delivery standard for 82 of 96 mission-critical battery requisitions assessed at four continental U.S. installations. We found no adverse impact to the customer mission where the 14 requisitioned batteries delivered did not meet the 4-day continental U.S. standard. Therefore, no recommendations are warranted.

We considered management comments on a discussion draft of this report in preparing the final and revised the report as appropriate. No written response to this report was required, and none was received.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-8905 (DSN 664-8905).

Amy J. Frontz
Principal Assistant Inspector General
for Auditing

Cc: Assistant Secretary of the Air Force (Financial Management and Comptroller)
Naval Inspector General
Auditor General, Department of the Army

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INSPECTOR GENERAL

DEPARTMENT OF DEFENSE

Introduction

Objective

Our overall objective was to determine whether Defense Logistics Agency (DLA) effectively fulfilled warfighter requirements for batteries designated mission-critical by military services. This audit covered continental United States (CONUS) requisitions for mission-critical batteries. See the Appendix for a discussion of the scope and methodology, and prior coverage.

Background

DLA, headquartered at Fort Belvoir, Virginia, provides the Army, Navy, Air Force, Marine Corps, other federal agencies, and combined and allied forces with the full spectrum of logistics, acquisition, and technical services. DLA supports more than 2,250 weapon systems, and supplies more than 84 percent of the military's spare parts.

DoD Supply Chain Materiel Management Regulation 4140.1-R, Appendix 8, May 23, 2003, identifies time-definite delivery (TDD) standards for the amount of time that should elapse during any given supply pipeline segment for items that are in stock or for items that are processed as part of planned DLA direct deliveries. TDD standards include a 4-day CONUS standard. The regulation further defines the TDD concept as representing 85 percent of the aggregate times that the wholesale supply system is capable of delivering the required materiel to its customers.

DoD's weapon systems and equipment rely on batteries and other power sources. Battery supply chains are managed by the DLA Land and Maritime Columbus, Ohio, field activity. Basic categories include rechargeable and non-rechargeable batteries, and battery fixtures. DLA supplied data indicated that FY 2012 "mission-critical" (Issue Priority Group-1 [IPG-1]) battery procurements totaled $62.4 million. The FY 2012 battery procurements covered two battery related Federal Supply Code classes: 6135 (Non-Rechargeable Batteries) and 6140 (Rechargeable Batteries).[1]

[1] The audit also reviewed Federal Supply Code 6160, Miscellaneous Battery Retaining Fixtures and Liners.

Customer requisition supplies are based on the criticality of the need. Defense Logistics Management System 4000.25, "Supply Standards and Procedures," volume 2, June 13, 2012, notes that mission-critical designations for requisitions were based on the high priority nature of the operations performed by the individual installations as designated by the Secretary of Defense, the Chairman of the Joint Chiefs of Staff, or a DoD component authorized by the Chairman. The criticality of the mission is tied to the Joint Chiefs of Staff assigned force or activity designator. This assignment, combined with a unit-determined urgency of need designator of "A," forms the basis of an IPG-1 requisition. An "A" urgency of need designator is required for immediate end-use. Without it, the force or activity is unable to perform its assigned operational mission within 15 calendar days.

Review of Internal Controls

DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We determined that the internal controls over the DLA supply chain management of mission-critical battery requisitions reviewed were effective. We will provide a copy of the report to the senior official(s) responsible for internal controls in DLA.

Finding

DLA Met Continental U.S. Critical Battery Requirements

DLA met warfighter requirements for 82 of 96 requisitions of mission-critical batteries reviewed at four CONUS installations, but did not meet the 4-day CONUS TDD standard for 14 of the 96 requisitions reviewed. Deliveries of 13 of 14 requisitioned batteries occurred between 8 to 27 days after the order was placed. Delivery of the 14th requisition occurred 111 days after being ordered. DLA did not meet the 4-day standard for the 14 requisitions because the batteries were on backorder or deliveries were delayed.

We found no adverse impact to the customer mission for the 14 requisitions that did not meet the 4-day CONUS TDD standard. There was no impact because customers used alternative replacement batteries on-hand in local stock that performed the same function as the requested mission-critical battery, or identified alternative solutions until equipment was delivered.

DLA Fulfilled Continental U.S. Battery Requisitions

DLA fulfilled CONUS warfighter requisitions for batteries designated as mission-critical by military services. DLA met the 4-day CONUS TDD standard for 82 of 96 CONUS critical battery requisitions reviewed.[2] For the 82 requisitions, DLA properly estimated and planned battery demand, procured the subject batteries, and maintained sufficient stock to fill the mission-critical requisitions within the 4-day standard.

For example, on April 17, 2012, Joint Base Myer-Henderson Hall, Virginia, requisitioned 60 non-rechargeable LR44 batteries (national stock number [NSN] 6135-01-174-8057). On April 18, 2012, DLA shipped the batteries from DLA New Cumberland, Pennsylvania, stock. In a second example, on August 13, 2012, the Naval Air Facility at Joint Base Andrews, Maryland, requisitioned 50 non-rechargeable batteries (NSN 6135-01-536-8333). On August 15, 2012, DLA filled this order, also from its New Cumberland stock.

[2] Please see the Appendix, Scope and Methodology, for a breakdown of the 96 requisitions reviewed.

Customer Missions Were Not Adversely Impacted by Identified DLA Battery Backorders

DLA mission-critical battery requisitions did not meet the 4-day CONUS TDD standard for 14 of 96 requisitions reviewed. However, we found no adverse impact to customer mission for the 14 requisitions that did not meet the 4-day standard. There was no impact because customers used alternative replacement batteries on-hand in local stock that performed the same function as the requested mission-critical battery, or identified alternative solutions until equipment was delivered.

For 8 of the 14 non-standard fulfillments, customers used replacement batteries on-hand in local stock. For example, two requisitions from Fort Meade, Maryland, did not meet the 4-day CONUS TDD standard. However, Fort Meade logistics personnel stated that shortages of mission-critical batteries had not occurred because the local logistics personnel monitored on base stock levels and reordered batteries in time to avoid a critical battery shortage.

The following are three further examples of delayed DLA deliveries and the actions taken by customers until backorders were filled by DLA Land and Maritime (DLA L&M) offices. The Fort Bragg and Joint Base Andrews examples show use of alternative replacement batteries on hand in local stock, while Joint Base Myer-Henderson Hall example shows a base identifying an alternative solution until backorders were filled.

Rechargeable Vehicle Batteries for Fort Bragg

DLA and Fort Bragg personnel noted that during FY 2012, CONUS stocks of rechargeable vehicle battery (NSN 6140-01-485-1472) were in short supply. DLA personnel noted that FY 2012 CONUS supply shortages and backorders were due to long production lead times and DLA transfers of battery stock to outside of CONUS for southwest Asia operations. By April 2013, DLA had corrected the problem and had fully stocked the rechargeable vehicle battery in CONUS. Fort Bragg Forces Command maintenance and logistics personnel noted that the rechargeable vehicle battery was more desirable because as an Absorbed Glass Mat battery it was less likely to leak and could be recharged more easily. However, lack of domestic stock of the rechargeable vehicle battery had no effect on Fort Bragg operations because the base was able to use three alternative in-stock vehicle batteries categorized as “wet cell” batteries. The wet cell batteries were provided by DLA to Fort Bragg through Direct Vendor Delivery contracts.

Figure. Two Rechargeable Vehicle Batteries (NSN 6140-01-485-1472)

Aircraft Batteries for Joint Base Andrews

The Naval Air Facility at Joint Base Andrews requisitioned six aircraft batteries (NSN 6140-01-555-6118). DLA delivery of the Joint Base Andrews requisitioned batteries occurred 111 days after order because of backorder and contract lead time delays. The requisition date was January 5, 2012, and the batteries were shipped by DLA on April 24, 2012, from DLA Tracy, California, depot stock. Before the shipment, DLA Tracy stock was replenished on April 24, 2012, through deliveries from contract SPM7LA12M0152. On November 7, 2011, DLA and the vendor signed contract SPM7LA12M0152 for 70 aircraft batteries. The contract included a 189-day production and delivery lead time (by May 14, 2012) for planned battery replenishment at three DLA depot locations, including DLA Tracy. The vendor delivered the batteries to DLA 19-days before the

contractually required date. However, the contractual lead times resulted in prolonged backorders for the aircraft battery when existing stocks ran out before January 5, 2012. Adverse impact was avoided because Joint Base Andrews used the NSN 6140-01-555-6118 batteries on-hand in local stock until the requisitioned batteries were delivered.

Battery Racks for Joint Base Myer-Henderson Hall

Six Joint Base Myer-Henderson Hall requisitions ordering 24 vehicle battery racks (NSN 6160-01-453-0858) were issued between March 29 and April 12, 2012. DLA deliveries of the battery racks to Joint Base Myer-Henderson Hall took between 12 and 27 days because DLA had no stock on hand. Joint Base Myer-Henderson Hall personnel stated that the battery racks were for use in on-base trucks and other vehicles. Joint Base Myer-Henderson Hall maintenance personnel stated they improvised when the racks were not delivered by making temporary battery racks that would properly secure the batteries in position until they received the correct battery racks from DLA. Therefore, customer missions were not adversely impacted by delayed delivery of the requisitioned batteries. The DLA backorder problem was resolved in late April 2012 when additional battery racks were procured through additional contracts with the manufacturer.

Appendix

Scope and Methodology

We conducted this performance audit from February through December 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

From a FY 2012 universe of 74,773 CONUS battery requisitions obtained from DLA Transaction Services, we selected a non-statistical sample of 223 requisitions for review. We conducted analysis of 60 selected IPG-1 battery requisitions at Joint Base Myer-Henderson Hall, Virginia; 13[3] requisitions at Joint Base Andrews, Maryland; 100[4] requisitions at Fort Bragg, North Carolina; and 50 requisitions at Fort Meade, Maryland, to identify late deliveries and any mission impact encountered by customers due to the late shipments. The visits also allowed us to verify DLA IPG-1 battery data obtained from DLA through Military Service electronic delivery receipts and hardcopy records kept by customers and receiving depots. We visited DLA Land and Maritime Operations center, Columbus, Ohio, to review demand, supply, and procurement materiel stockage computations for batteries fulfilling the selected IPG-1 battery requisitions and reasoning for unexplained late deliveries.

Of the 223 requisitions selected, 25 were either canceled by the customer or rejected by DLA because of incorrect format. An additional 102 requisitions were not subject to the 4-day DLA TDD standard because they were filled by Military Service warehouses (41), were vendor stocked and supplied based on DLA long-term contracts (56), or were DLA centrally procured "non-Stocked" items (5). This left 96 of the 223 subject to the CONUS 4-day TDD standard. We compared the order date to the receipt date for the 96 requisitions to determine whether DLA was able to supply the requisitioned batteries within the 4-day TDD standard.

[3] The 13 requisitions reviewed at Joint Base Andrews included 7 requisitions from the Naval Air Facility, Washington D.C., 5 requisitions from the District of Columbia Air National Guard, and 1 requisition from the Air Force 11th Wing.

[4] The 100 requisitions reviewed at Fort Bragg included 74 requisitions from the U.S. Army Forces Command, 14 requisitions from the Fort Bragg Directorate of Logistics, and 12 requisitions from the U.S. Army Special Operations Command.

Use of Computer-Processed Data

We used computer-processed data obtained from DLA's Defense Automated Addressing System (DAAS) to identify FY 2012 CONUS requisitions for mission-critical batteries and to select a non-statistical sample of mission-critical battery requisitions for review. To assess the reliability of DAAS computer-processed data, we compared DAAS order, shipping, and receipt dates to hardcopy and electronic source documentation for sampled requisitions maintained by military service logisticians at Joint Base Myer-Henderson Hall, Fort Meade, Fort Bragg, and Joint Base Andrews. Where available, hardcopy source documentation contained DoD and Army receipt documents including DD Forms 1348, DA Forms 2765-1, Army Customer Issue lists, and commercial delivery receipts. Supplemental electronic receipt documentation was gathered through the Army Logistics Support Activity system, Navy OneTouch system, and Air Force Tracker Logistics system. We compared both hardcopy and supplemental electronic receipt documentation to the DAAS data to assess the reliability of the DAAS data. We did not find material errors or significant differences in the order, shipping, and receipt data. Therefore, we determined that the data was sufficiently reliable for the purposes of this report.

Use of Technical Assistance

We consulted with personnel from the OIG Quantitative Methods Division to identify potential audit sites and obtain a nonstatistical sample selection of FY 2012 mission-critical CONUS battery requisitions.

Prior Coverage

During the last 5 years, the Government Accountability Office (GAO) issued 4 reports discussing the availability and oversight of critical items such as batteries being provided in a timely manner to the warfighter. Unrestricted GAO reports can be accessed over the Internet at http://www.gao.gov.

GAO

GAO Report No. GAO-12-842, "Batteries and Energy Storage - Federal Initiatives Supported Similar Technologies and Goals but Had Key Differences," August 2012

GAO Report No. GAO-11-417T, "Warfighter Support - DoD Should Have a More Comprehensive Approach for Addressing Urgent Warfighter Needs," March 2011

GAO Report No. GAO-11-273, "Warfighter Support - DoD's Urgent Needs Processes Need a More Comprehensive Approach and Evaluation for Potential Consolidation," March 2011

GAO Report No. GAO-11-113, "Defense Acquisitions - Opportunities Exist to Improve DoD's Oversight of Power Source Investments," December 2010

Acronyms and Abbreviations

CONUS	Continental United States
DAAS	Defense Automated Addressing System
DLA	Defense Logistics Agency
IPG-1	Issue Priority Group-1
NSN	National Stock Number
TDD	Time Definite Delivery

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