



UNITED STATES GENERAL ACCOUNTING OFFICE
EUROPEAN BRANCH

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124358

c/o AMERICAN CONSULATE GENERAL
APO NEW YORK 09213

OFFICE OF THE DIRECTOR

May 29, 1984

IN REPLY
REFER TO

B-209656



124358

General Glen K. Otis
Commander in Chief
United States Army, Europe
and Seventh Army
ATTN: AEAGF-I
APO U.S. Forces 09403

Subject: Requisitions for M-1 Components Are Not
Justified by Past Demands (GAO/NSIAD-84-118)

Dear General Otis:

As you are aware, we are reviewing the fielding of the M-1 tank in Europe. During the review we have examined Army general supply policies and United States Army, Europe and Seventh Army spare parts provisioning actions for new equipment. Although our audit work is not complete, we believe an M-1 supply issue warrants your attention. Specifically, VII Corps units have requisitioned M-1 components valued at about \$511,000 which are not justified by past demands.

This situation arose following an April 4, 1984, theaterwide conference hosted by the 3rd Infantry Division to resolve deficiencies in the M-1 direct exchange program.¹ As a result of the conference, the VII Corps' general support direct exchange activity and the Division's Materiel Management Center found that many stockage quantities remained below the levels recommended by national inventory control points for supporting the number of M-1 battalions fielded. Accordingly, these units requisitioned additional direct exchange assets to eliminate identified shortages. However, our analysis of past demands shows that some of these requisitions do not comply with provisioning criteria in Army Regulation (AR) 710-2, "Supply Policy Below the Wholesale Level."

¹Direct exchange is a controlled issue and turn-in process that enables maintenance activities to turn in an unserviceable reparable component at the next higher level of supply and receive a new one in return.

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According to AR 710-2, a reparable component must have at least six demands per year to be added to the direct exchange stock list and, once added, must have at least three demands annually to be retained on the list. At the VII Corps' general support direct exchange activity, we sampled M-1 component demand histories and identified 21 items that had not experienced more than three demands since M-1 fielding began over 2 years ago in January 1982. Comparing the 21 items with recent requisitions to increase direct exchange assets, we found that VII Corps' support activity ordered about \$459,000 in parts not justified by demands. (See enclosure I.) We did not review in detail the demand histories for the remaining direct exchange components; it is possible that requisitions for some of the components also may not be supported.

It was not possible for us to make the same analysis at the Division's Materiel Management Center because M-1 direct exchange component demand data were not summarized prior to January 1984. However, we found this activity submitted requisitions totaling about \$52,000 for 14 of the same 21 components ordered by VII Corps. (See enclosure II for the Division's requisitions.)

Since fielding of the M-1 began, 3rd Infantry Division has generally met the Army's operational readiness goal. Given this achievement, the Army's supply policies, and actual parts demands, we believe the requisitions in enclosures I and II are inappropriate at this time. Accordingly, we recommend that you:

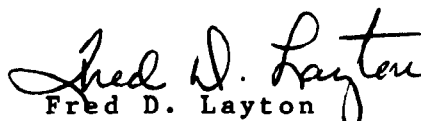
- cancel the requisitions submitted by VII Corps' support activity for those components listed in enclosure I;
- apply direct exchange supply policies in AR 710-2 to the remaining M-1 direct exchange component requisitions submitted by VII Corps' support activity and cancel those which are not justified by demands;
- cancel the Division's requisitions listed in enclosure II; and
- base future requisitions on the policies in AR 710-2.

Officials from VII Corps' 2nd Support Command and 3rd Division Materiel Management Center generally agreed with our findings and recommendations. Officials from the 2nd Support Command stated that they will be implementing

revised direct exchange procedures to improve their visibility and control over the operations and demand data at the VII Corps' general support direct exchange activity. In addition, officials from the 3rd Division Materiel Management Center stated that they will take immediate actions to implement the above recommendations. Other specific comments have been considered and incorporated, as appropriate, in preparing this letter.

We request that you advise us of actions planned and initiated regarding this issue. If you have any questions on this matter, the European Office points of contact are Greg Booth and David Schmitt. They can be reached on Frankfurt Military 2311-7511 or Frankfurt Civilian (0611) 74-00-71 extension 326/327.

Sincerely,


Fred D. Layton
Director

Enclosures - 2

cc: Commander, VII Corps
Commander, 2nd SUPCOM
Commander, 3rd ID
PM-M1, TACOM

REQUISITIONS SUBMITTED BY
VII CORPS SUPPORT ACTIVITY
NOT JUSTIFIED BY DEMANDS

<u>Component stock number</u>	<u>Component name</u>	<u>Demands Jan. 1982 - Mar. 1984</u>	<u>Number requisi- tioned</u>	<u>Unit price</u>	<u>Total price</u>
5855-01-054-9013	Scan-Inter	0	18	\$ 805.00	\$ 14,490.00
5855-01-054-9014	Cooler, Dry	0	8	6,060.00	48,480.00
2590-01-073-0135	Wiring Harness	1	8	754.00	6,032.00
2520-01-073-7704	Valve Assembly	0	5	379.00	1,895.00
2520-01-073-7719	Valve Assembly	0	7	620.00	4,340.00
6220-01-073-7994	Headlight Assembly	1	14	300.00	4,200.00
1220-01-074-8919	Computer Control	1	4	3,144.00	12,576.00
1015-01-076-6743	Harness Assembly	2	9	1,210.00	10,890.00
1220-01-076-6892	Circuit Card	1	5	514.00	2,570.00
1240-01-076-6897	Circuit Card	1	16	215.00	3,440.00
1240-01-076-6899	Circuit Card	1	9	150.00	1,350.00
1240-01-076-6901	Circuit Card	2	7	471.00	3,297.00
1230-01-077-7584	Sight Extension	2	7	3,157.00	22,099.00
1015-01-078-1205	Turret Drive	3	13	8,031.00	104,403.00
1015-01-082-8954	Cant Unit	2	6	1,250.00	7,500.00
2590-01-083-9872	Electronic Control	3	17	9,766.00	166,022.00
2520-01-099-2456	Carrier, Planet	0	8	1,897.00	15,176.00
1220-01-101-7054	Wiring Harness	2	6	1,018.00	6,108.00
2835-01-116-0277	Modulator	2	8	1,223.00	9,784.00
2835-01-116-0279	Modulator	0	8	957.00	7,656.00
2835-01-117-0600	Modulator	3	8	837.00	6,696.00
Total					<u>\$459,004.00</u>

REQUISITIONS SUBMITTED BY
3RD INFANTRY DIVISION NOT
JUSTIFIED BY DEMANDS

<u>Component stock number</u>	<u>Component name</u>	<u>Demands Jan. 1984 - Mar. 1984</u>	<u>Number requisi- tioned</u>	<u>Unit price</u>	<u>Total price</u>
2590-01-073-0135	Wiring Harness	0	9	\$ 754.00	\$ 6,786.00
2520-01-073-7704	Valve Assembly	0	8	379.00	3,032.00
2520-01-073-7719	Valve Assembly	0	8	620.00	4,960.00
6220-01-073-7994	Headlight Assembly	0	15	300.00	4,500.00
1220-01-074-8919	Computer Control	1	1	3,144.00	3,144.00
1015-01-076-6743	Harness Assembly	1	3	1,210.00	3,630.00
1220-01-076-6892	Circuit Card	0	1	514.00	514.00
1240-01-076-6897	Circuit Card	0	2	215.00	430.00
1240-01-076-6899	Circuit Card	0	4	150.00	600.00
1240-01-076-6901	Circuit Card	0	1	471.00	471.00
1015-01-082-8954	Cant Unit	0	1	1,250.00	1,250.00
2520-01-099-2456	Carrier, Planet	0	4	1,897.00	7,588.00
2835-01-116-0277	Modulator	2	6	1,223.00	7,338.00
2835-01-116-0279	Modulator	0	8	957.00	<u>7,656.00</u>
Total					<u>\$51,899.00</u>