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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

DEFENSE DIVISION

B-169968

DEC 30 1971

The Honorable  
The Secretary of Defense

Attention: Assistant Secretary of Defense  
(Comptroller)



Dear Mr. Secretary:

We surveyed the management, acquisition, and utilization of warehouse space controlled by the Army, Navy, Air Force, Defense Supply Agency, and various civil agencies in the Seattle and San Francisco-Sacramento areas. Our code number was 86273.

The survey was made to evaluate management processes and opportunities for coordination which would contribute to improved use of Government-owned warehouses and reduce the need for commercially-leased space or new construction. We do not plan to review in detail any of the matters surveyed but we have the following observations for your consideration.

SAVINGS POSSIBLE THROUGH BETTER  
DATA ON WAREHOUSE USE

Some Department of Defense organizations and other agencies were leasing storage space or building new warehouse space when other organizations in their general area (or at the same installation) had vacant space or were using space for obsolete, slow-moving, or inactive items of questionable retention value. Management of warehouse space could have been more effective if responsible officials had better information on how space was being used and had taken action to eliminate unnecessary storage of materials.

At most installations visited, warehouse utilization reports were limited to statistics showing (in terms of square footage) gross space, aisle and structural losses, net space, and net used or vacant space. Alone, this type of information can be misleading because an activity showing good use of warehouse space may be filling it with items such as wooden pallets, steel netting, shackles, cables, etc., which

--could be stored outside or in sheds, or

--could be obsolete or of questionable retention value.

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In some instances, there was inadequate analysis of the nature of and future use for the items in storage or to be stored before requesting authority to lease or construct additional storage facilities. For example, at the Defense Depot, Tracy, California, little or no consideration was given to the economy of disposal versus retention of stocks before requesting more space. If timely consideration had been given to this, costs expended to lease and eventually construct a new warehouse at Tracy might have been avoided or materially reduced. Stocks at Tracy included large quantities of inactive items which had been on hand for some time and were of questionable future use.

The economy of disposal versus retention was not considered because warehouse facility managers did not have the information available for evaluating such alternatives. We believe that there is a need for local management to have better information on warehouse use, especially on the type of items being stored, their need for being stored inside, and the quantities of items that should be held in storage.

We recommend that you consider establishing requirements for analyzing the nature of items stored, the need for the items, and the reasonableness of the type of protection afforded the items prior to requesting additional warehouse space.

REVALIDATION OF NEED MIGHT HAVE AVOIDED  
CONSTRUCTION OF \$3.3 MILLION WAREHOUSE

On June 30, 1969, the Defense Depot, Tracy, awarded a contract for construction of a \$3.3 million warehouse providing 300,000 square feet of storage although at the time the Depot had over 400,000 square feet of covered space vacant in its existing facilities. The decision to proceed with the construction was apparently due more to momentum generated by inclusion of the project in an approved military construction program than from any real present or future need for the storage space.

According to Depot records, there was a critical shortage of warehouse space in 1966. As the Depot was using over 265,000 net square feet of leased space in October 1967, it requested approval for the \$3.3 million warehouse under the fiscal year 1969 military construction program.

The justification for the warehouse stated:

"Warehouse space at the Defense Depot Tracy, California, is fully utilized and over 300,000 GSF /Gross Square Feet/ of material is in the open along streets and around warehouses. In addition to the covered storage located at Tracy proper,

DDTC is currently utilizing approximately 560,000 GSF<sup>1</sup> of leased space in six separate locations in the Tracy-Stockton area, and approximately 2,600,000 GSF of covered storage in eight separate west coast military establishments. Of this space, at least 300,000 GSF are considered hard-core and will continue to be required after the SEA [Southeast Asia] requirements are eliminated."

<sup>1</sup> Depot personnel said 560,000 gross square feet was comparable to 265,000 net square feet.

Depot reports show that use of leased space reached its peak in December 1967 (use of 277,000 out of 287,000 net square feet leased), but a year later, only 83,000 net square feet were being leased. When the contract was awarded in June 1969 for construction of the warehouse, the Depot had 18,000 net square feet of leased space vacant as well as over 400,000 net square feet vacant in its own warehouses. At the time of our survey--a year later--the amount of vacant covered space still exceeded 400,000 net square feet.

Depot records contained no information as to why the contract was awarded even though this additional space apparently was not needed.

According to a representative of the Defense Supply Agency, Washington officials decided to proceed with the construction even though there was vacant space at the Depot. We were advised that this decision was based on expected future demands for space, but no documentation was prepared to support the decision.

Based on our limited survey, we believe there may be a need for the Defense Supply Agency to assess the effectiveness of its management controls to assure that appropriate consideration is given to halting or revising construction projects when requirements are eliminated or significantly reduced after the initial request for approval but before the construction contract has been awarded. Consequently, we recommend that you consider requiring the Defense Supply Agency to establish procedures for revalidation of construction projects before awarding the contracts.

The recommendations in this report are subject to the provisions of section 236 of the Legislative Reorganization Act of 1971. We will appreciate receiving copies of the statements you furnish the specified congressional committees in accordance with these provisions.

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Copies of this report are being sent to the House and Senate Committees on Appropriations and Committees on Government Operations. Copies are being sent also to the Director, Office of Management and Budget; Director, Defense Supply Agency; and the Secretaries of the Army, Navy, and Air Force.

Sincerely yours,

 R.W. Lutman  
Director