Audit Report

REQUIRED DELIVERY DATES IN REQUISITIONS FOR SECONDARY ITEMS OF SUPPLY INVENTORY

Report No. D-2000-113 April 19, 2000

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Department of Defense

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Acronyms

AMMMIS	Automated Materiel Maintenance Management Information System
CONUS	Continental United States
DAASC	Defense Automatic Addressing System Center
DSCP	Defense Supply Center, Philadelphia
FAD	Force Activity Designator
LMARS	Logistics Metric Analysis Reporting System
NMCS	Not Mission Capable Supply
RDD	Required Delivery Date
PD	Priority Designator
SARSS	Standard Army Retail Supply System
TACOM	Tank-automotive and Armaments Command
ULLS	Unit Level Logistics System
UMMIPS	Uniform Materiel Movement and Issue Priority System

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April 19, 2000

MEMORANDUM FOR DEPUTY UNDER SECRETARY OF DEFENSE (LOGISTICS)
ASSISTANT DEPUTY UNDER SECRETARY OF DEFENSE (SUPPLY CHAIN INTEGRATION)
DIRECTOR, DEFENSE LOGISTICS AGENCY
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Audit Report on Required Delivery Dates in Requisitions for Secondary Items of Supply Inventory (Report No. D-2000-113)

We are providing this report for review and comment. We conducted the audit in response to a request by the Deputy Under Secretary of Defense (Logistics). We considered management comments on a draft of this report in preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. Comments of the Deputy Under Secretary of Defense (Logistics) and the Army Deputy Chief of Staff for Logistics were partially responsive; we request additional comments on Recommendations A.1., A.2., and B.2.a. The Defense Logistics Agency comments were not responsive; we request additional comments on Recommendations A.1. and B.1. As a result of management comments, we added Recommendation B.2.b. to the Army Deputy Chief of Staff for Logistics. Therefore, we request that the Army Deputy Chief of Staff for Logistics provide comments on Recommendations B.2.b. We request that management provide the comments by June 19, 2000.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Robert M. Murrell at (703) 604-9210 (DSN 664-9210) (rmurrell@dodig.osd.mil) or Mr. Hassan A. Soliman at (703) 604-8868 (DSN 664-8868) (hsoliman@dodig.osd.mil). See Appendix E for the report distribution. The audit team members are listed inside the back cover.

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Office of the Inspector General, DoD

Report No. D-2000-113 **April 19, 2000**
(Project No. 9LH-5045)

Required Delivery Dates in Requisitions for Secondary Items of Supply Inventory

Executive Summary

Introduction. The Deputy Under Secretary of Defense (Logistics) expressed concern about the lack of attention given to the required delivery date (RDD) by individuals and organizations involved in submitting and filling requisitions for supply items. The RDD indicates when requisitioned items are required by the requester. The Deputy Under Secretary of Defense (Logistics) believed that properly using and meeting RDDs would minimize customers' wait time and enhance warfighters' confidence in the DoD supply system.

To facilitate the audit, we judgmentally selected Army requisitions issued in November 1998 and April 1999 to be the audit universe. Of the 821,000 requisitions in the universe, we took four judgmental samples that would provide data concerning customer use of RDDs (Fort Bragg and Fort Hood samples) and concerning DoD supply organizations' response to customer RDDs (Defense Supply Center, Philadelphia, and Tank-automotive and Armaments Command samples). See Appendixes A and B for details about the universe and selection of the judgmental samples.

Objectives. As requested by the Deputy Under Secretary of Defense (Logistics), the audit objective was to evaluate the use of customer RDDs as a measure of order fulfillment. We evaluated the effectiveness of the process used to determine RDDs on requisitions for secondary items of supply inventory. We also reviewed the management control program as it applied to the process used to determine the RDD. This audit addressed requisitions issued by Army organizations only.

Results. Customer RDDs could not be used as a measure of order fulfillment, and the Army process to determine and use RDDs needed improvement. Our analysis of the Fort Bragg and Fort Hood samples and of the audit universe showed that at least 24,000 requisitions had a blank RDD field. For the RDD fields that were filled in, coded and Julian date RDDs were used incorrectly for about 72,000 of the 821,000 requisitions in the audit universe. As a result, RDD currently is not a useful measure of supply chain performance (finding A).

The Defense Automatic Addressing System Center and the Army did not fully edit requisitions to identify inaccurate or invalid RDDs. Further, at the request of the Army, the Defense Automatic Addressing System Center filled in blank RDD fields on certain requisitions but did not inform Army supply customers that their requisitions were being altered. As a result, requisitions with inaccurate, invalid, or altered RDDs remained in the supply system with RDDs that might not correspond to customers' requirements (finding B).

The management controls that we reviewed were effective in that no material management control weakness was identified. See Appendix A for details on the management control program.

Summary of Recommendations. We recommend that the Assistant Deputy Under Secretary of Defense (Supply Chain Integration) streamline the rules for using RDDs by limiting RDD categories used to Julian and extended. We recommend that the Army issue guidance to its Major Commands emphasizing the importance of RDDs, streamline the rules for using RDDs, and provide appropriate RDD training. We also recommend that the Director, Defense Logistics Agency, and the Army develop and implement a system of automated edit of RDDs. We recommend that the Army request the Defense Automatic Addressing System Center to inform customers when the edit extends the RDD, or to use current Uniform Materiel Movement and Issue Priority System time standards in the edit.

Management Comments. We received management comments on the report from the Deputy Under Secretary of Defense (Logistics), the Defense Logistics Agency, and the Army Deputy Chief of Staff for Logistics. The Deputy Under Secretary of Defense (Logistics) tentatively concurred with the recommendation to use Julian date and extended RDDs pending concurrence of the Military Departments and the Defense Logistics Agency. The Army concurred with the recommendation. The Defense Logistics Agency nonconcurred, stating that coded RDDs are used in resource allocation and are needed to convey that items requisitioned are a "not mission capable supply" item. The Defense Logistics Agency also stated that the audit did not consider new electronic data interchange standards and recommended using standard delivery dates instead of customer RDDs. The Defense Logistics Agency partially concurred with the recommendation to edit RDDs by the Defense Automatic Addressing System Center, stating that its Defense Supply Centers edit RDDs. The Army concurred with the recommendations to emphasize the importance of RDDs, simplify RDD rules, and provide training. The Army nonconcurred with the need to edit RDDs. See the Findings section of the report for a discussion of management comments and the Management Comments section for the complete text of the comments.

Audit Response. Comments from the Deputy Under Secretary of Defense (Logistics) on using Julian RDD are partially responsive, and the Defense Logistics Agency's comments are nonresponsive. We believe that the allocation and delivery of supply items should be based on the priority system and the customer's RDDs. Using standard delivery dates is not in parallel with the Deputy Secretary of Defense direction in the Defense Reform Initiative Directive Number 54 that requires the use of RDDs. Currently, criticality of an item to the performance of a unit's mission is explicitly expressed through the urgency of need designators. The April 2000 phased plan to adopt electronic data interchange in the standard DoD logistics system does not allow changing the existing systems merely to apply electronic data interchange standards. Therefore, we request that the Deputy Under Secretary of Defense (Logistics) and the Defense Logistics Agency reconsider their positions and provide comments on the final report by June 19, 2000. The current RDD edit performed by the Defense Supply Centers overrides customer RDDs for certain priority designators and does not check the reasonableness of coded RDDs for other priority designators. Also, that edit is performed halfway into the supply process, unlike the recommended edit that would be performed at the start of the supply process. We request that the Defense Logistics Agency and Army reconsider their positions and provide comments on the final report by June 19, 2000. We also request that the Army provide comments on the recommendation added in response to management comments to notify customers when RDDs are extended.

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Introduction

The Deputy Under Secretary of Defense (Logistics) expressed concern about the lack of attention given to the required delivery date (RDD) by individuals and organizations involved in submitting and filling requisitions for supply items. The RDD indicates when requisitioned items are required by the requester. See Appendix C for a glossary of terms used in this report. The Deputy Under Secretary of Defense (Logistics) believed that properly using and meeting RDDs would minimize customers' wait time and enhance warfighters' confidence in the DoD supply system.

In our two previous audits of the direct vendor delivery process,[1] personnel at the Defense supply centers at Columbus, Ohio, and Richmond, Virginia, informed us that they did not consider RDDs when filling requisitions. One of the reasons given was that often the RDD had expired by the time the Defense supply centers received the requisition. Personnel at the Office of the Assistant Deputy Under Secretary of Defense (Supply Chain Integration) requested that we review that issue at the Defense Supply Center, Philadelphia (DSCP), and at the Army Tank-automotive and Armaments Command (TACOM). We also reviewed timeliness of requisition processing by Fort Bragg, North Carolina, and Fort Hood, Texas, as customers of the supply system. See Appendix B for the results of our review of those areas.

In November 1998 and April 1999, the Army issued a total of about 821,000 requisitions for secondary items of supply inventory for clothing and textile, hardware, and medical parts and supplies. Hardware items accounted for about 92 percent of the 821,000 requisitions. About 57 percent of the 821,000 requisitions had low priority and 23 percent had high priority. See Appendix A, Table A-1, for further details. Units located in the continental United States (CONUS) issued about 68 percent of the 821,000 requisitions. The 821,000 requisitions did not include requisitions filled by the General Services Administration.

Background

Warfighters' Confidence in the DoD Supply System. Two efforts reflected the Deputy Under Secretary of Defense (Logistics) emphasis on enhancing warfighters' confidence in the supply system. The first was adopting the perfect order fulfillment concept, and the second was issuing the "FY 2000 DoD Logistics Strategic Plan" (the DoD Logistics Plan) in August 1999.

Perfect Order Fulfillment. In a study conducted by the Logistics Management Institute[2] for the then Assistant Deputy Under Secretary of Defense

[1] See Prior Coverage in Appendix A.

[2] "DoD Supply Chain Management: A Recommended Performance Measurement Scorecard," Report No. LG803MR1, June 1999.

(Materiel and Distribution Management),[3] the Logistics Management Institute found that the supply chain performance measures available to senior DoD managers were not adequate to measure the overall effectiveness of the DoD supply chain. Therefore, the Logistics Management Institute recommended nine metrics, which included the perfect order fulfillment metric. A perfect order fulfillment meets the following standards.

- Delivered complete--all items delivered in the quantities requested.
- Delivered on time using the customer's definition of on-time delivery.
- Delivered with complete and accurate documentation (including packing slips, bills of lading, and invoices) to support the order.
- Delivered in perfect condition, in correct configuration, and faultlessly installed (as applicable).

The perfect order fulfillment standards are also reflected in the DoD Logistics Plan.

The DoD Logistics Plan. The DoD Logistics Plan includes logistics objectives and performance measures that are based primarily on satisfying customer requirements at the point of need, using a best value approach. The best value approach involves the selection of the logistics process that ensures the correct quantities, proper quality, and timely delivery of products and services. One of the logistics objectives related to RDD is the implementation of customer wait time as the DoD logistics metric for measuring DoD supply chain performance.

The customer wait time objective requires refining the definition of customer wait time and developing and implementing appropriate measures. The DoD Logistics Plan states that there must be confidence in the accuracy of the operational and cost data used in logistics performance measures. The DoD Logistics Plan also states that the performance focus is on mission results and the information required to choose policy directions and make mission decisions. Therefore, the DoD Logistics Plan includes a performance measure with the following two goals for the implementation of customer wait time as a logistics metric.

- Develop the process for definition and measurement of customer wait time by the end of FY 2001.
- Fully implement customer wait time measurement for selected areas by the end of FY 2006.

Defense Automatic Addressing System Center. The Defense Automatic Addressing System Center (DAASC), a component of the Defense Logistics

[3] As a result of a reorganization in June 1999, the Office of the Assistant Deputy Under Secretary of Defense (Materiel and Distribution Management) was reestablished as the Office of the Assistant Deputy Under Secretary of Defense (Supply Chain Integration)

Agency, is a supply and distribution support service that processes more than 1 billion logistics transactions each year to over 177,000 customers worldwide. The functions of DAASC are to electronically edit and route logistics transactions and to compile financial, logistical, and procurement data.

Categories and Format of Required Delivery Dates. RDD is expressed using four categories, according to criteria that describe the format and usage of each category. The four RDD categories are blank, coded, extended, and Julian date. An example of a Julian date is 053 (the 53rd day of a year), which is the equivalent of the calendar date February 22. The largest RDD category used was Julian date; however, DAASC enters Julian RDDs on some Army requisitions with blank RDDs, based on a request from the Army. See Table A-1 in Appendix A for a distribution of the audit universe by RDD category. A description of the four RDD categories follows.

- A blank RDD indicates the requester expects delivery according to the applicable Uniform Materiel Movement and Issue Priority System (UMMIPS) time standard. UMMIPS time standards are used to derive standard delivery dates. For some Army requisitions with blank RDDs, DAASC enters a Julian RDD using parameters provided by the Army.

- A coded RDD is used when the requisition is for "not mission capable supply" (NMCS) items[4] or anticipated NMCS items. The coded RDD communicates special delivery terms and conditions. For example, coded RDD 999 indicates that the request is for an NMCS item for an overseas unit and requires overnight or next day delivery; code N, followed by a number between 1 and 99, indicates that the request is for an NMCS item for a unit not located overseas; and code E, followed by a number between 1 and 99, indicates that the request is for an anticipated NMCS item. Together, the coded RDD, the priority designator (PD),[5] and the destination are used to determine the number of days to deliver the requested item under UMMIPS.

- An extended RDD is used when the RDD is later than the delivery date derived from the applicable UMMIPS time standard. The extended RDD code starts with the letter X or S. For example, the letter X, followed by two numbers, indicates the number of months to elapse before delivery is expected; however, delivery can be made any time before the RDD. The letter S is used to prohibit shipment prior to 50 days before the RDD. Extended RDDs are rarely used.

- A Julian date RDD is a three-position numeric format representing the specific day on which the requested materiel is to be delivered to the customer.

[4] A not mission capable supply item is needed to repair a system or equipment that a unit needs to perform its assigned missions.

[5] A PD is a two-position numeric code (01 through 15) that identifies the relative priority of the competing requisitions. See Appendix C for further explanation.

Inter-Service Requisitioning Equity. In a memorandum dated September 10, 1998, the Director of Logistics, Joint Staff, stated that in an effort to ensure equity among organizations competing for reparable resources, changes had been incorporated in the DoD regulation governing requisition priority. The Director of Logistics, Joint Staff, further stated the successful application of the regulation depends on the effective use of an implementing policy for validating and assigning force activity designators (FADs). The Joint Staff developed a six-phase plan to implement a mechanism to enforce the rules relative to the assignment and use of the various FADs. The last phase is expected to be completed between September and November 2000. The Joint Staff efforts could impact the use of RDD because FADs are used to determine the PDs, which influence the category of RDD to be used. See Appendix C for further explanation of FADs.

Army Retail Supply Management Systems. The Army retail supply management systems include the Unit Level Logistics System (ULLS) and the Standard Army Retail Supply System (SARSS). In addition, the Automated Materiel Maintenance Management Information System (AMMMIS) is a unique automated information system used by the Directorate of Logistics at Fort Hood. One of the functions of AMMMIS is calculating RDD based on PD.

Objectives

As requested by the Deputy Under Secretary of Defense (Logistics), the audit objective was to evaluate the use of customer RDDs as a measure of order fulfillment. We evaluated the effectiveness of the process used to determine RDDs on requisitions for secondary items of supply inventory. We also reviewed the management control program as it applied to the process used to determine RDDs. This audit addressed requisitions issued by Army organizations only. See Appendix A for a discussion of the audit scope and methodology, the review of the management control program, and a list of prior audit coverage.

A. Army Use of Required Delivery Dates

Customer RDDs could not be used as a measure of order fulfillment, and the Army process to determine and use RDDs needed improvement. Of the 821,000 requisitions in the audit universe, at least 24,000 requisitions had a blank RDD field. For the RDD fields that were filled in, coded and Julian date RDDs were used incorrectly for about 72,000 of the 821,000 requisitions. RDDs were not appropriately determined and used because DoD and the Army had not clarified the need for using RDDs and had not simplified the process for determining the proper RDD to use. As a result, RDD currently is not a useful measure of supply chain performance.

DoD and Army Regulations

Using RDDs on requisitions for materiel is discussed in DoD Regulation 4140.1-R, "DoD Materiel Management Regulation," May 1998, and Army Regulation 725-50, "Requisitioning, Receipt, and Issue System," November 1995. DoD Regulation 4140.1-R includes the following requirements.

- DoD customers of the logistics system shall determine response time expected from the supply, distribution, and transportation components of the logistics system by the use of a PD and the designation, or non-designation, of an RDD.

- If the customer does not specify an RDD, the customer should expect the total time from order placement to receipt to be within the UMMIPS time standards of total order-to-receipt time depicted in Appendix 8 of DoD Regulation 4140.1-R.

- Commanding officers or the heads of requisitioning organizations shall ensure that PDs assigned to requisitions are valid and accurate, consistent with FADs assigned by higher authority as well as with the existing urgency of need, and RDDs assigned to requisitions are valid. They shall personally review, or delegate in writing to specific personnel the authority to review, all requirements assigned an urgency of need "A" [6] to certify inability to perform mission. That review shall be done before the transmission of a requisition to the source of supply.

- Commanding officers or the heads of requisitioning organizations may delegate in writing to specific personnel the authority to review all requirements assigned an urgency of need "B" [7] to certify that the

[6] Urgency of need "A" is used for supply items needed for immediate use, and without which the force or organization is unable to perform assigned operational missions.

[7] Urgency of need "B" is used for supply items needed for immediate use, and without which the

urgency was accurately determined. That review shall be done before the transmission of a requisition to the source of supply.

Although Army Regulation 725-50 predates the May 1998 DoD Regulation 4140.1-R, it includes the requirement to either use RDDs or default to the UMMIPS time standards, and for the commanders of the requisitioning organizations to review the urgency of need. Specifically, Army Regulation 725-50 requires using RDDs when UMMIPS time standards will not meet requirements, and when items are needed by a specific date (because of scheduled departure of a vessel, deployment of operational forces, or the need for emergency medical and disaster supplies).

Process to Determine and Use RDDs

Customer RDDs could not be used as a measure of order fulfillment, and the Army process to determine and use RDDs needed improvement. Our analysis of the audit universe and the judgmental samples identified problems resulting from the use of blank RDDs and inaccurate coded and Julian RDDs, which resulted in RDDs that did not always reflect customer needs.

The audit universe consisted of 821,000 requisitions in the Army database that had been issued during November 1998 and April 1999. See Appendix D for details of the database analysis. To review the process followed by Army customers of the supply system, we selected and reviewed requisitions issued by Fort Bragg and Fort Hood during November 1998 and April 1999. We selected those 2 months so that our judgmental sample would include requisitions that had been filled and requisitions that were still being processed by the supply system. Our selection of Fort Bragg and Fort Hood was based on their high transaction volume and the variety of equipment they use. The combined judgmental sample, from both months and both organizations, was made up of 112 requisitions (see Appendix A).

Blank RDDs. About 24,000 of the 821,000 Army requisitions in the audit universe were forwarded by DAASC to the wholesale supply system with blank RDDs. The 112 requisitions in our judgmental sample included 4 blank RDDs. To review the reasons for leaving the RDD field blank, we interviewed the originators of those requisitions.

Customer personnel requesting supply items at Fort Bragg and Fort Hood informed us that, generally, they enter an RDD only for high priority requests based on prior practice or direction from their supervisors. RDDs for low priority requests (PDs 12 through 15) are usually left blank. When supply personnel at Fort Bragg and Fort Hood receive a high priority request, they issue a requisition with the customer's RDD retained. For low priority requests, the RDD is deleted because supply personnel consolidate low priority requests into one or more requisitions.

capability of the force or organizations to perform assigned operational missions is impaired.

Army Regulation 725-50 requires using an RDD if UMMIPS time standards will not meet requirements and if one of several specified conditions exists. Those conditions relate to the need for requested items by a specific date and to the need for emergency medical and disaster supplies. At Fort Bragg and Fort Hood, supply system customers informed us that they were instructed to leave RDDs blank for lower priority requisitions, such as PD 12. As explained later in our discussion of the DAASC edit (finding B), DAASC filled in blank RDDs with Julian RDDs based on instructions from the Army. The RDDs used by DAASC did not match the customer-expected UMMIPS time standards.

Not all requisitions with blank RDDs in the audit universe were low priority. For example, about 6,000 of the 24,000 blank RDDs were for high priority requisitions (PDs 01 through 03) and were delivered in 21 days (median). In addition, about 9,000 of the 24,000 blank RDDs had invalid values of "0" and "000."

Accuracy of Coded and Julian RDDs. Coded and Julian RDDs in about 72,000 of the 821,000 requisitions in the audit universe were not accurate. To determine the accuracy of coded and Julian RDDs, we examined requisitions for compatibility of the requisition date, RDD, and PD and for compliance with the applicable DoD and Army regulations for formatting RDDs. In our judgmental sample of 112 requisitions, 39 had coded RDDs and 69 had Julian RDDs. Customer personnel at Fort Bragg and Fort Hood had used inaccurate RDDs in 12 instances.

Fort Bragg. Supply personnel and their customers did not ensure compatibility of requisition elements, such as the requisition date, RDD, and PD; did not understand the rules for using coded RDDs; and did not understand that a Julian RDD represented a date and not a number of days. The following examples illustrate the problems.

- A requisition for items to be delivered in CONUS was assigned PD 02 and coded RDD 999. According to DoD Regulation 4140.1-R and Army Regulation 725-50, the code 999 should be used only for an NMCS item for a unit stationed overseas or alerted for deployment overseas within 30 days of the requisition date. Coded RDD 999 means delivery is requested overnight or next day. The unit that submitted that request was not overseas and was not alerted for deployment overseas.

- A requisition for plain round nuts to be delivered in CONUS was assigned PD 05 and coded RDD E99. The code E99 means expedited handling is requested and the items ordered need to be delivered within 99 days from the requisition date. However, DoD Regulation 4140.1-R assigns transportation priority two (see UMMIPS in Appendix C) to a requisition with PD 05 and a coded RDD beginning with E, which requires CONUS delivery in 7 days. If the RDD is up to 99 days from the requisition date, the customer should have either used a Julian RDD or an extended RDD with the required delivery time expressed in months, as required by DoD and Army regulations. Correctly using a coded or Julian RDD would have resulted in the less expensive transportation priority three.

- A requisition dated November 23, 1998, was assigned PD 05 and Julian RDD 005 (or January 5, 1999). The person who entered the RDD intended to request delivery within 5 days from the requisition date, which would have been Julian RDD 332 (November 23, 1998, plus 5 days).

Fort Hood. Supply personnel and their customers did not ensure compatibility of requisition elements, such as the requisition date, RDD, and PD; did not understand the rules for using coded RDDs; did not understand that a Julian RDD represented a date and not a number of days; and did not compute RDD correctly using an automated algorithm. The following examples illustrate the problems.

- A requisition for a unit located in CONUS was coded RDD 999, which is reserved for units located overseas or alerted for deployment overseas. When we examined all 1,334 requests submitted by that unit in November 1998 and April 1999, we found 697 requisitions with incorrect coded RDDs. Personnel at that unit informed us that they misunderstood the criteria for using code 999. Unjustified use of code 999 may result in incurring unnecessary cost for premium transportation and diverting the supply items from a unit with a higher priority request.

- A requisition dated April 2, 1999, was assigned PD 05 and Julian RDD 018. A Julian RDD of 018 could mean January 18, 1999, or January 18, 2000; both dates would be erroneous. A January 18, 1999, RDD would be before the requisition date. A January 18, 2000, RDD would extend the RDD for more than 291 days, which is not logical for a PD 05 requisition eligible for delivery within 16 days by UMMIPS time standards (the UMMIPS time standards are shown in the DoD Regulation columns of Table 2 in finding B). The person who entered the RDD intended delivery to occur 18 days after the requisition date, not that delivery was required by January 18.

- Julian RDDs were incorrectly calculated by the Wang computer at the Directorate of Logistics. An algorithm on that computer calculates Julian RDDs based on the PD assigned by the customer. The standard delivery days for a PD are added to the requisition date to obtain the Julian RDD. The errors extended the RDDs by 52 days for three judgmental sample items with PD 09. Personnel at the Directorate of Logistics informed us that they had corrected the algorithm error that affected PD 09 requisitions.

Our database analysis corroborated our observations at Fort Bragg and Fort Hood. Coded and Julian RDDs were not accurately determined in about 72,000 of 821,000 requisitions in the audit universe. For example, coded RDD format was not correct in about 12,000 requisitions (the letter E or N was used, but specific delivery days were omitted in about 9,000 requisitions, and RDDs for about 3,000 requisitions with PDs 02 through 08 either included wrong codes or were unreasonably extended). Also, use of certain coded RDDs did not follow DoD and Army regulations; for example, use of coded RDD 999 for units located in CONUS. Julian RDDs were earlier than requisition dates in

about 33,000 requisitions, and significantly varied from the RDD standards in Army Regulation 725-50 in about 27,000 requisitions. The variation was especially significant for high priority requisitions (see Appendix D, Table D-3). Replacing coded RDDs, except extended RDDs, with Julian RDDs and providing appropriate training would simplify and streamline RDD usage.

Rules for Composing RDDs

We believe the complexity and lack of clarity of the rules for composing RDDs and the existence of different criteria in several regulations contributed to user misunderstanding of those rules. Training in RDD rules could minimize the impact of their complexity. Guidance from the Army, emphasizing the importance of properly using RDDs and the potential improvement in DoD supply, distribution, and transportation components of the logistics system's responsiveness to customer needs, was needed to effect a favorable change in the use of RDDs by customers and supply personnel.

Unit Level Logistics System Guidance. The ULLS is used by the customer to create a request that includes an RDD. Following are examples from the ULLS user guide that contributed to user misunderstanding of the rules:

- informs the user that the RDD is not required, but continues to guide the user on composing an RDD if one is used;
- states that if an RDD is used and the request is not for an NMCS or anticipated NMCS item, the RDD may be 001 through 366, without stating that the 366 is to be used only in leap years; and
- uses the words "day you want the part" rather than "Julian date you want the part" to describe a Julian RDD.

Complexity of Coded RDD Rules. Coded RDD rules are unnecessarily complex. The November 1998 and April 1999 audit universe of 821,000 requisitions contained about 151,000 requisitions with coded RDDs distributed among 18 codes. The most frequently used were code N (about 71,000), code 999 (about 50,000), and code E (about 26,000). The varied rules for composing and using coded RDDs to express urgency (such as 999 or coded RDDs that start with N or E) or non-urgency (such as RDDs that start with an X or S) add unnecessarily to the ambiguity of using coded RDDs. In our opinion, using Julian RDDs could produce the desired outcome without complex composition rules. Users misunderstood that a value must be entered after the first letter of a coded RDD, and that a value should be expressed in days with codes starting with E or N, but expressed in months for codes starting with X or S. In addition, users did not understand that coded RDD 999 requires three prerequisites: the requested item must be an NMCS item, must be intended for shipment to a unit overseas, and must be PD 01, 02, or 03. Using a Julian RDD could provide the same delivery time, without the complexity of the coded RDD.

Consistency in Following Regulations. Time standards in the Army guidance to DAASC on filling in blank RDD fields were different from the time standards in DoD Regulation 4140.1-R and Army Regulation 725-50 and were not known to the personnel at Fort Hood and Fort Bragg. As of the end of October 1999, the Army had not implemented the May 1998 DoD Regulation 4140.4-R. As explained later in our discussion of the DAASC edit of RDDs (finding B), the Army requested DAASC to fill in blank RDDs with Julian RDDs. However, the guidelines provided to DAASC for determining the Julian RDDs were inconsistent with Army and DoD regulations. We believe that using a common set of guidelines could improve the utility of RDDs.

Need for RDD Training. There was no indication of sufficient training of customers in using RDDs. Fort Bragg and Fort Hood had professional supply Quartermaster Corps officers; however, based on our interviews, customers who enter RDDs on requests obtained their knowledge about RDDs through daily exercise of their duties. Formal training did not sufficiently address RDDs. Specific training on RDDs would minimize the effect of the complex rules governing RDDs. Streamlined RDD rules, using Julian RDD as the main RDD category; additional guidance from the Army emphasizing the importance of properly using RDDs; and appropriate training would promote acceptance by the user and improve the accuracy of RDDs.

Other Matters That Impact Future Use of RDD

Customer Wait Time. The goal of using customer wait time as a DoD logistics metric requires refining the definition of customer wait time and developing and implementing appropriate measures. One of the two goals in the DoD Logistics Plan to measure customer wait time is developing the process for defining and measuring customer wait time by the end of FY 2001. There are similarities between customer wait time, RDD, and the UMMIPS standards in that all of the three deal with response time. The extent of those similarities may impact any future improvements for using RDD. Achieving the two applicable goals in the DoD Logistics Plan should clarify those similarities and the extent to which RDD may or may not be incorporated in customer wait time.

Inter-Service Requisitioning Equity. The efforts of the Office of the Assistant Deputy Under Secretary of Defense (Supply Chain Integration) and the Director of Logistics, Joint Staff, are aimed at improving the manner in which FADs are used to ensure equity among organizations competing for reparable resources. The FADs are used to determine PDs, which influence the type of RDD to be used. Changes as a result of those efforts are expected to be completed between September and November 2000. Those changes may impact any future improvements in using RDDs.

Perfect Order Fulfillment Standards. Data needed to measure order fulfillment standards of item condition and documentation were not always readily obtainable. SARSS-1, which is used at supply storage sites,[8] captures

[8] Direct Support Units and Supply Support Activities at the battalion and brigade levels.

receipt data when an ordered item arrives and is scanned at the supply storage site. However, data on items found by the customer to be in less than perfect condition (such as damaged items) are not entered in SARSS-1 by the customer. If the imperfect condition was identified at the supply storage sites, then SARSS-1 would capture the data. Also, data on the receipt of accurate documentation (such as drawings or special installation instructions) are not captured upon receipt of an item at the supply storage site. Based on our discussions with supply personnel at Fort Bragg and Fort Hood, it appeared that documentation accompanying a part was not a material issue. The majority of the items ordered did not need special instructions or drawings, and the contents of a package are identified on the package.

Summary

The rules for RDDs needed to be streamlined and simplified. Although not included in the scope of this audit, the streamlining and simplification of the rules for RDDs would benefit all of the Services and the Defense Logistics Agency. The Army process to determine and use RDDs needed improvement, because RDDs on requisitions were left blank and coded and Julian RDDs in requisitions were inaccurate. Customers and supply personnel did not see a need to use RDDs in all cases and did not understand the rules for determining RDDs when they were used. As a result, RDD is currently not a useful measure of supply chain performance. Using current RDD data would result in misleading performance statistics to measure order fulfillment. Further, SARSS-1 does not capture and report all data needed to implement the perfect order fulfillment concept. The new customer wait time initiative in the DoD Logistics Plan and the efforts of the Deputy Under Secretary of Defense (Logistics) and the Director of Logistics, Joint Staff, to improve management of FADs may impact any future improvement in using RDDs.

Management Comments on the Finding and Audit Response

The Deputy Under Secretary of Defense (Logistics) and the Defense Logistics Agency provided the following comments on the finding. For the full text of management comments, see the Management Comments section of this report.

Using Julian RDDs Instead of Coded RDDs. The Deputy Under Secretary of Defense (Logistics) and the Defense Logistics Agency stated that coded RDDs cannot be eliminated because they inform the logistics system that the requisitioned item is necessary to restore an NMCS item to full operating capability and increases the requisition's processing priority.

Audit Response. Although we agree with the need to convey the importance of the requisitioned item and its higher priority to those filling and delivering requisitioned items, we believe that the NMCS status and the ensuing high priority are already conveyed in the requisition through the designation of the urgency of need designation within the PD. In addition to simplifying RDDs, eliminating coded RDDs would also eliminate an apparent redundancy in a

requisition. Appendix B14 of DoD Manual 4000.25-1-M, "Military Standard Requisitioning and Issue Procedures," January 17, 1996, assigns urgency of need "A" to items for mission-essential materiel without which a force or activity will be unable to perform its operational mission. Urgency of need "B" is assigned when mission-essential materiel will impair performance of the operational mission. Therefore, the combination of Julian RDD and the existing urgency of need designator convey the type of urgency and when the warfighter needs the item.

Using Only the PD With UMMIPS Standard Delivery Dates. The Defense Logistics Agency partially concurred with the finding, stating that DoD adoption of perfect order fulfillment and customer wait time metrics would be enhanced by using time definite standards (standard delivery dates) correlated to the requisition's PD instead of depending on the customer RDD.

Audit Response. The Defense Logistics Agency position does not parallel the Deputy Secretary of Defense direction in Defense Reform Initiative Directive Number 54, "Logistics Transformation Plans," March 23, 2000. One of the objectives emphasized by the Deputy Secretary of Defense in the Defense Reform Initiative Directive Number 54 is adopting a simplified priority system by FY 2002 that provides time-definite delivery driven by the warfighter's RDD. We believe customer RDDs, and not standard delivery dates, reflect the warfighter's need and should be the basis for performing variance analysis within customer wait time as required by the Deputy Secretary of Defense in Defense Reform Initiative Directive Number 54. We believe that the warfighter is the best judge of when a requisitioned item should arrive at its designated location.

Planned Versus Unplanned Direct Vendor Delivery. The Deputy Under Secretary of Defense (Logistics) stated that UMMIPS time standards apply only to requisitions filled from stock and through planned direct vendor delivery, and a comparison should not be made when requisitions were filled through unplanned direct vendor delivery.

Audit Response. We agree with the statements of the Deputy Under Secretary of Defense (Logistics). We clarified the three applicable statements made in the draft report, comparing the actual delivery date with the RDD instead of the UMMIPS standard delivery date.

Blank RDDs. The Deputy Under Secretary of Defense (Logistics) concurred with the finding that RDDs are not currently a useful measure of supply chain performance. However, he stated that intentionally blank RDDs are in full compliance with current regulations.

Audit Response. We believe that strict compliance or noncompliance with regulations is not the issue. Although current regulations allow the option of using an RDD or defaulting to a UMMIPS standard delivery date by leaving the RDD field blank, the Army instructed DAASC to fill blank RDDs with delivery dates, which did not necessarily represent what the customer needed. Further, we found that although customers thought that only RDDs for non-urgent requisitions could be left blank, requisitions with high priorities were also left blank. We believe that the customer, rather than remote arbitrary decisions, is

the best judge of when a requisitioned item should arrive at its designated location. Customers should make the decision, rather than defaulting the responsibility, as to the proper RDD for their needs.

Subsequent Events

Defense Reform Initiative Directive Number 54. Subsequent to the receipt of management comments, the Deputy Secretary of Defense issued Defense Reform Initiative Directive Number 54. The directive provides guidance for the submission of annual logistics transformation plans, which, when approved, will be used by the Military Components, the Defense Logistics Agency, and the U.S. Transportation Command as vehicles for obtaining resources and executing the DoD Logistics Plan goals and objectives. The directive includes milestones for submission of the plans, emphasis on attaining four intermediate goals, a requirement to conduct an annual review of the plans by the Under Secretary of Defense (Acquisition, Technology, and Logistics), and a requirement for the Deputy Under Secretary of Defense (Logistics and Materiel Readiness) to prepare an annual evaluation on the implementation of the DoD Logistics Plan. The four intermediate goals emphasized by the Deputy Secretary of Defense include:

- accelerating progress in implementing customer wait time using variance-based computations and other performance measures in the DoD Logistics Plan and

- adopting a simplified priority system by FY 2002 that provides time-definite delivery driven by the warfighter's RDD.

Adopting Commercial Electronic Data Interchange Standards for DoD Logistics. On April 14, 2000, the Deputy Under Secretary of Defense (Logistics) signed an endorsement for a phased implementation plan for adopting commercial electronic data interchange standards for the DoD logistics system. The plan satisfies the requirement of the Defense Reform Initiative Directive Number 48, "Adoption of Commercial Electronic Data Interchange Standards for DoD Logistics Business Transactions," December 9, 1998. The phased plan states that legacy systems will not be replaced or modified solely for the purpose of implementing commercial electronic data interchange standards, and that those systems will be replaced or modified based on sound functional requirements and supporting economic justification. The plan includes provisions for the Services to submit their own implementation plans at future dates. In anticipation of the issuance of the phased plan, the Deputy Under Secretary of Defense (Logistics) issued a memorandum on March 15, 2000, stating that logistics system stability during the transition is absolutely essential, and that future changes to the existing Defense Logistics Standard Systems to correct operational deficiencies will be evaluated for approval by the Deputy Under Secretary of Defense (Logistics). The existing Defense Logistics Standard Systems are described in DoD Manual 4000.25-1-M, "Military Standard Requisitioning and Issue Procedures," DoD Manual 4000.25-10-M, "Defense Automatic Addressing System," and DoD 4500.32-R, "Military Standard Transportation and Movement Procedures."

Recommendations, Management Comments, and Audit Response

A.1. We recommend that the Assistant Deputy Under Secretary of Defense (Supply Chain Integration), in coordination with the Services and the Defense Logistics Agency, streamline and simplify the rules for using required delivery dates by limiting required delivery date categories used to Julian and extended.

Deputy Under Secretary of Defense (Logistics) Comments. The Deputy Under Secretary of Defense (Logistics) tentatively concurred, citing the need to retain coded RDDs to identify requisitions for NMCS, and stated that his concurrence depends on concurrence by the Defense Logistics Agency and the Military Departments.

Audit Response. The Deputy Under Secretary of Defense (Logistics) comments are partially responsive. We do not agree with the need to retain coded RDDs. As we explained in our response to the Deputy Under Secretary of Defense (Logistics) and the Defense Logistics Agency comments on the finding, the urgency of need designator already conveys to those organizations filling and delivering the items whether the requisitioned items are mission-essential materiel. We request that the Deputy Under Secretary of Defense (Logistics) reconsider his position on Recommendation A.1. in response to the final report.

Defense Logistics Agency Comments. The Defense Logistics Agency non-concurred, stating that the audit did not show that coded RDDs are unnecessary, did not offer how the functionality of coded RDDs would be conveyed under Julian date format, and did not consider the new Defense Logistics Management Standard ANSI X.12 "511" regarding requisition format which has a separate data segment for coded RDD and uses a regular date format (year, month, and day) instead of the Julian date format. The Defense Logistics Agency also stated that coded RDDs are used in allocation decisions when assets are not available to fill all requisitions.

Audit Response. The Defense Logistics Agency's comments are nonresponsive.

Need for Coded RDDs. The audit report includes cases which show that coded RDDs were misunderstood or misused by the customers. In addition, an alternative is already in use to convey criticality of the requisitioned materiel to the warfighters in the form of urgency of need designator as explained in our response to the Deputy Under Secretary of Defense (Logistics).

Coded RDD Functionality and Julian RDD. The functionality of any type of delivery date, whether coded, Julian, required, or standard, is to convey the time when requisitioned items are needed by the customer. The Julian RDD conveys that information.

New ANSI X.12 "511" Standard. The ANSI X.12 "511" standard is a commercial standard used for requisition data transmission in electronic data interchange environment. The phased implementation plan endorsed by the Deputy Under Secretary of Defense (Logistics) states that existing systems will not be replaced or modified just for the purpose of implementing commercial electronic data interchange standards, but it does allow for system changes to correct functional deficiencies. In the future, when the new ANSI X.12 "511" standard is implemented, the use of a regular date format should make expressing RDD even easier. We request that the Defense Logistics Agency reconsider its position on Recommendation A.1. in response to the final report.

Allocation of Assets. The PD dictates the precedence of internal supply processing action (such as, from the receipt of a transaction until release to transportation). DoD Manual 4000.25-1-M uses the PD to determine precedence when RDDs are the same for the same item on different requisitions. If both PD and RDD on different requisitions are equal, supply personnel contact the parties to discuss the condition.

Army Comments. The Army concurred, stating that it will participate in any efforts to review the RDD process.

A.2. We recommend that the Army Deputy Chief of Staff for Logistics:

a. Issue guidance to Army Major Commands emphasizing the importance of the proper use of required delivery dates.

b. Streamline and simplify the rules for using required delivery dates, based on the results of Recommendation A.1.

c. Provide appropriate required delivery date training.

Army Comments. The Army concurred and described actions it would take, which will include emphasizing the proper use of RDDs, implementing a streamlined process, and updating unit-level training packages.

B. Defense Automatic Addressing System Center and Army Processing of Required Delivery Dates

DAASC and the Army did not fully edit requisitions to identify inaccurate or invalid RDDs. Further, at the request of the Army, DAASC filled in blank RDD fields on certain requisitions but did not inform Army supply customers that their requisitions were being altered. DAASC and the Army did not edit RDDs for accuracy and validity because DoD guidance does not require them to do so. As a result, requisitions with inaccurate, invalid, or altered RDDs remained in the supply system with RDDs that might not correspond to customers' requirements.

DAASC Edit of RDDs

DAASC did not fully edit requisitions to identify inaccurate or invalid RDDs. DAASC did fill in blank RDDs, based on instructions from the Army, but without informing customers of changed RDDs. To review the accuracy of the RDDs, we examined a judgmental sample of 112 requisitions issued by Fort Bragg and Fort Hood. We reviewed database records of 821,000 requisitions issued by the Army (including Fort Bragg and Fort Hood) in November 1998 and April 1999. We also compared customer RDDs with the RDDs processed by DAASC. In addition to the inaccuracies discussed in finding A, the RDDs on requisitions transmitted by Fort Bragg and Fort Hood to DAASC did not match RDDs processed and forwarded to the wholesale supply system by DAASC for 46 of the 112 requisitions in the judgmental sample.

Instructions from the Army. In September 1996, the Army instructed DAASC to begin replacing blank RDDs with Julian RDDs in Army requisitions that start with document identifier code[9] A0. The instructions state that Julian RDDs should be based on the requisitions' PDs. Table 1 shows, by PD, the number of days to be added to the date DAASC receives a requisition, regardless of whether the requisition is for a unit in CONUS or overseas, to obtain the Julian RDD.

[9] A document identifier code is a three-position code that indicates the nature of the document submitted. See Appendix C.

Table 1. Days to Add to DAASC Requisition Receipt Date to Obtain Julian RDD

PD	Days
01-03	12
04-08	16
09-15	45

Although DAASC provided Julian RDDs for requisitions with blank RDDs, not all requisitions with blank RDDs were affected. As discussed earlier (finding A), DAASC processed and forwarded to the wholesale supply system about 24,000 requisitions with the RDDs still blank. Officials at DAASC informed us that DAASC does not normally edit RDDs. However, it does edit Army RDDs, as requested by the Army, but only does so for requisitions with document identifier code A0A (versus A0 according to documents obtained from the Army).

Rationale for Instructions and Time Standards Used. DoD Regulation 4140.1-R states that customers should expect total order-to-receipt time to be within UMMIPS time standards when an RDD is not used. UMMIPS time standards apply to requisitions filled from Government stock or through planned direct vendor delivery. Also, Army Regulation 725-50 directs supply and transportation personnel not to change customers' RDDs. An Army official informed us that the Army instructed DAASC to fill in blank RDDs to ensure the priority of requisitions would not be downgraded by the supply system when blank RDDs were used. The time standards in Table 1 were based on overseas time standards in Tables 2-1 and Table 2-7 in Army Regulation 725-50.

Comparison of Time Standards in Army Instructions With DoD and Army Regulations. The time standards used by the Army generally extended the RDD that the customer expected without the customer's knowledge. Table 2 shows a comparison of delivery time standards in Army instructions to DAASC with delivery time standards in Army Regulation 725-50 and DoD Regulation 4140.1-R.

Table 2. Comparison of Delivery Time Standards in Army Instruction to DAASC With Delivery Standards in DoD and Army Regulations
(days)

	Instructions to DAASC[1]	Army Regulation		DoD Regulation	
		CONUS	Overseas	CONUS	Overseas
PD 01-03	12	7	11 - 12	3.5	8.5 - 11
PD 04-08	16	11	15 - 16	16[2]	14 - 16
PD 09-15	45	29	67 - 82	16[2]	44 - 78

[1] Applies to CONUS and overseas delivery.
[2] For PDs 04 through 15, if the Julian RDD is within 8 days from the requisition date, the standard is 7 days, but 16 days if the Julian RDD is more than 8 days from the requisition date.

Table 2 shows the significant increase in CONUS delivery time for PDs 01 through 03 and 09 through 15. At Fort Bragg and Fort Hood, customers were not aware of the instructions to DAASC to fill in blank RDDs. Of the 112 requisitions in the Fort Bragg and Fort Hood judgmental sample, 46 had blank RDDs that were subsequently filled in by DAASC.

Scope of DAASC Edit

DAASC edit of RDDs on requisitions was limited. Personnel at DAASC informed us that there was no requirement for DAASC to edit RDDs, except to fill in blank RDDs with Julian RDDs as requested by the Army. DoD Manual 4000.25-1-M, "Military Standard Requisitioning and Issue Procedures," January 17, 1996, requires DAASC to edit requisitions and other related transactions for data errors and validity under procedures in DoD Manual 4000.25-10-M, "Defense Automatic Addressing System," April 1985. However, the RDD field is not one of those fields requiring edit. Because DAASC did not edit RDDs, several types of errors went undetected. For instance, as discussed in finding A, an edit that examined the compatibility of requisition elements such as the requisition date, RDD, and PD would identify inaccurate and invalid entries. We believe DAASC would enhance the accuracy and utility of RDDs, especially after the rules for using RDDs are streamlined and simplified, if it had a system of automated edit of RDDs.

Army Edit of RDDs

Other than reliance on DAASC to fill in blank RDDs with Julian RDDs, the Army did not edit RDD fields in requisitions. Again, DoD Manual 4000.25-1-M does not require an automated edit of RDDs. Supply customers at the unit level use ULLS to create a request for supply items. Requests are submitted to supply personnel who create a requisition using SARSS-1 without changing customers' RDDs, unless the request is for a low priority item. SARSS-1 personnel consolidate low priority requests in a requisition with the RDD field left blank, and forward the requisition to either the retail or the wholesale supply system for fulfillment. ULLS and SARSS-1 do not edit RDDs for validity and reasonableness; if ULLS or SARSS-1 performed an RDD edit, errors could be captured and corrected before the requisitions left the installation.

Management Comments on the Finding and Audit Response

Deputy Under Secretary of Defense (Logistics) Comments on RDD Edits Conducted by DAASC. The Deputy Under Secretary of Defense (Logistics) stated that our recommendations need to be expanded to provide for the Defense Logistics Agency and the Army to provide timely notification to customers when edits extend RDDs beyond the published standards.

Defense Logistics Agency Comments on RDD Edits Conducted by DAASC. The Defense Logistics Agency partially concurred with the finding, stating that it is the responsibility of the Army to disseminate information regarding the edit conducted by DAASC, or direct that DAASC generate status to the customers. The Defense Logistics Agency also stated that the audit report was incorrect because DAASC edits are not limited to CONUS requisitions.

Audit Response. We were unable to identify the incorrect statements mentioned by the Defense Logistics Agency in the audit report. The report did not indicate the edit was limited to CONUS requisitions. In response to comments by the Deputy Under Secretary of Defense (Logistics) and the Defense Logistics Agency, we added Recommendation B.2.b. to the Army.

Recommendations, Management Comments, and Audit Response

Added and Renumbered Recommendations. In response to comments by the Deputy Under Secretary of Defense (Logistics) and the Defense Logistics Agency, we added Recommendation B.2.b. to the Army to request DAASC to inform customers when RDDs are changed. Draft Recommendation B.2. has been renumbered as Recommendation B.2.a. We request that the Army provide comments on the added recommendation in response to the final report.

B.1. We recommend that the Director, Defense Logistics Agency, after the required delivery date rules have been simplified as discussed in Recommendation A.1., develop and implement a system of automated edit of the required delivery date field in requisitions.

Defense Logistics Agency Comments. The Defense Logistics Agency partially concurred, stating that whether or not there is a specific requirement for a DAASC edit on RDDs, the Defense Supply Centers edit allowable RDDs in accordance with DoD Manual 4000.25-1-M. The Defense Logistics Agency recommended the Supply Process Review Committee review the current edit to determine whether additional edits are necessary and determine whether DAASC should also employ such edits. The Defense Logistics Agency also recommended that the Assistant Deputy Under Secretary of Defense (Supply Chain Integration) request that the Defense Logistics Management Standards Office review the clarity of DoD Manual 4000.25-1-M and the consistency between the manual and DoD Regulation 4140.1-R.

Audit Response. The Defense Logistics Agency's comments were not responsive. We believe that a Defense Logistics Agency review of the DoD manual and regulation for clarity and consistency is a positive step. However, we disagree with the Defense Logistics Agency's recommendation to have the Supply Process Review Committee examine the edit performed by the Defense Supply Centers to determine whether additional edits are necessary. The Supply Process Review Committee would be addressing only the sufficiency of the current edit by the Defense Supply Centers. A review of the current edit as shown in DoD Manual 4000.25-1-M indicates that it is not an optimum edit. It occurs later in the supply process; it overrides the customer specified delivery date without informing the customer; and it does not check the reasonableness of the delivery time for coded RDDs for PDs 01 through 08. We believe that an edit performed by DAASC at the start of the process would identify deficiencies early in the process. We request that the Defense Logistics Agency reconsider its position on Recommendation B.1. in response to the final report.

B.2. We recommend that the Army Deputy Chief of Staff for Logistics:

a. Make system changes to the Unit Level Logistics System or the Standard Army Retail Supply System to edit the required delivery date field in requisitions, after the required delivery date rules have been simplified as discussed in Recommendations A.1. and A.2.

Army Comments. The Army nonconcurred, stating that it does not believe that it is necessary to edit RDDs. The Army requested that if the Defense Logistics Agency develops edits, that the Defense Logistics Agency coordinate system changes with the Services if changes result in modifying requisitions. The Army also stated that it will assess any system changes that are made and will become compliant.

Audit Response. The Army comments are not responsive. The Army did not explain why it believes it is not necessary to edit RDDs. We request the Army reconsider its position on Recommendation B.2.a. in response to the final report.

b. Request the Defense Automatic Addressing System Center inform customers when the edit results in extending the customer required delivery date beyond the current Uniform Materiel Movement and Issue Priority System standards, or modify the edit program to use current Uniform Materiel Movement and Issue Priority System standards.

Appendix A. Audit Process

Scope

We performed the audit at DoD organizations with responsibilities for determining, reviewing, and using RDDs. The organizations included the Office of the Deputy Under Secretary of Defense (Logistics); Defense Logistics Agency; DSCP; DAASC; Fort Bragg; Fort Hood; and TACOM. Our analysis focused on the effectiveness of the process to determine and use RDDs. The audit universe contained 821,000 requisitions issued by the Army in November 1998 and April 1999. The sampling universe for Fort Bragg and Fort Hood contained 72,000 requisitions, and the sampling universe for DSCP and TACOM contained 47,000 requisitions. See additional details in the Methodology section of this Appendix and in Appendix B (DSCP and TACOM). We reviewed applicable laws, DoD regulations, Army regulations, and other pertinent guidance; supply performance data; and other applicable documents, including:

- DoD Regulation 4140.1-R, "DoD Materiel Management Regulation," May 1998;
- DoD Regulation 4500.32-R, "Military Standard Transportation and Movement Procedures," May 1995;
- DoD Manual 4000.25-1-M, "Military Standard Requisitioning and Issue Procedures," January 17, 1996;
- Army Regulation 725-50, "Requisitioning, Receipt, and Issue System," November 1995;
- Department of the Army Pamphlet 710-2-1, "Inventory Management, Using Unit Supply System (Manual Procedures)," December 1997; and
- Department of the Army Pamphlet 710-2-2, "Inventory Management, Supply Support Activity Supply System: Manual Procedures," September 1998.

DoD-Wide Corporate Level Government Performance and Results Act Coverage. In response to the Government Performance and Results Act, the Secretary of Defense annually establishes DoD-wide corporate level goals, subordinate performance goals, and performance measures. This report pertains to achievement of the following goal, subordinate performance goal, and performance measure:

FY 2000 DoD Corporate Level Goal 2: Prepare now for an uncertain future by pursuing a focused modernization effort that maintains U.S.

qualitative superiority in key warfighting capabilities. Transform the force by exploiting the Revolution in Military Affairs, and reengineer the Department to achieve a 21st century infrastructure. **(00-DoD-2)**
FY 2000 Subordinate Performance Goal 2.3: Streamline the DoD infrastructure by redesigning the Department's support structure and pursuing business practice reforms. **(00-DoD-2.3)** **FY 2000 Performance Measure 2.3.4:** Logistics Response Time. **(00-DoD-2.3.3)**

DoD Strategic Plan. The DoD Strategic Plan sets objectives for FY 2000 and beyond. This report pertains to achievement of the following objective and goals:

Objective: Implement customer wait time as the DoD logistics metric.
Goal: Develop the process for definition and measurement of Customer Wait Time by the end of FY 2001.
Goal: Fully implement Customer Wait Time measurement for 100 percent of all selected segments by the end of FY 2006.

High-Risk Area. The General Accounting Office has identified several high-risk areas in DoD. This report provides coverage of the Defense Inventory Management high-risk area.

Methodology

Use of Computer-Processed Data. We relied on computer-processed data from the Logistics Metric Analysis Reporting System (LMARS) to determine organizations to visit, to select the audit judgmental samples, and to test the process used to determine RDDs. Although we did not perform a formal reliability assessment of the computer-processed data, we determined that the data in our judgmental sample generally agreed with the information in the computer-processed data for requisition numbers, dates requisitions were transmitted to DAASC, dates of materiel receipt, PDs, and RDDs. We determined that LMARS data agreed with the documents we reviewed through corroborative data obtained from the Army ULLS and SARSS. We determined that the disagreement we identified between the RDD data obtained from DAASC and the data obtained from ULLS and SARSS was not a processing error, but was the result of the Army request that DAASC fill in blank RDDs with Julian RDDs. We did not identify any errors that would preclude using the computer-processed data to meet the audit objectives or that would change the conclusions in this report.

Universe and Judgmental Sample. The audit universe consisted of 821,000 requisitions issued by the Army in November 1998 and April 1999. The 821,000 requisitions consisted of three supply categories: reparable and consumable hardware and spares, medical equipment and spare parts, and clothing. The November 1998 requisitions were used to ensure selection of filled requisitions, and the April 1999 requisitions were used to ensure

availability of recent data. Requisitions filled by the General Services Administration were excluded from the audit universe. Table A-1 shows the audit universe.

Table A-1. Distribution of RDD Usage in the Audit Universe
(November 1998 and April 1999)

	Total Requisitions	Percent
Type of RDD		
Requisitions with blank RDDs	24,000	3
Requisitions with coded RDDs	151,000	18
Requisitions with Julian RDDs	646,000	79
Total	**821,000**	**100**
Requisitions by supply category.		
Clothing* requisitions	47,000	6
Hardware requisitions	759,000	92
Medical requisitions	15,000	2
Total	**821,000**	**100**
Requisitions by priority:		
PDs 01-03	185,000	23
PDs 04-08	164,000	20
PDs 09-15	472,000	57
Total	**821,000**	**100**

*Includes textile.

We used judgmental techniques to select the sampling universe, which consisted of requisitions issued by Fort Bragg and Fort Hood and requisitions filled by DSCP and TACOM. From the sampling universe, we randomly selected two judgmental samples of requisitions issued by Fort Bragg and Fort Hood as customers of the DoD supply system, and two judgmental samples of requisitions filled by DSCP and TACOM as providers of DoD supply services. We used the customer judgmental samples to evaluate customer effectiveness in determining and using RDDs. For instance, we examined the compatibility of requisition elements, such as the requisition date, RDD, and PD, to identify erroneous RDDs. We also examined compliance with the rules for formatting RDDs and verified the accuracy of automated computing of RDDs. We used

the DSCP and TACOM judgmental samples to evaluate their responsiveness to the Army customer, as requested by personnel at the Office of the Assistant Deputy Under Secretary of Defense (Supply Chain Integration). See Appendix B for details on the DSCP and TACOM judgmental samples and the results of our evaluation.

Table A-2 shows the Fort Bragg and Fort Hood judgmental samples and sampling universe. We stratified the sampling universe for subsequent random sample selection to ensure selection of sample items that reflected several testing conditions. As shown in Table A-2, the stratified testing conditions were commodity type, RDD category, PD, and timeliness of delivery. The number of samples for each condition was judgmentally based on the sampling universe for that condition and the total number of samples we had decided to review.

Table A-2. Judgmental Samples and Sampling Universe

Conditions				Samples		Sampling Universe	
Commodity	RDD	PD	Delivery	Fort Bragg	Fort Hood	Fort Bragg	Fort Hood
Hardware	Julian	01-05	Late	4	4	3,537	8,907
Hardware	Julian	11-15	Late	10	10	12,573	20,552
Hardware	Other[1]	01-05	N/A[2]	19	19	6,271	13,591
Hardware	Other[1]	11-15	N/A[2]	2	2	143	22
Clothing[3]	Julian	01-05	Late	4	2	7	26
Clothing[3]	Julian	11-15	Late	3	3	26	102
Clothing[3]	Other[1]	01-05	N/A[2]		1		6
Hardware	Julian	01-05	Timely[4]	4	4	1,108	4,831
Hardware	Julian	11-15	Timely[4]	5	13	12	175
Clothing[3]	Julian	11-15	Timely[4]	1	2	1	87
Total				**52**	**60**	**23,678**	**48,299**

[1] Includes blank and coded RDDs.
[2] Data not readily available.
[3] Includes textile
[4] Delivered on or before the RDD.

Audit Type, Dates, and Standards. We performed this economy and efficiency audit from April through November 1999 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. Accordingly, we included tests of management controls considered necessary.

Contacts During the Audit. We visited or contacted individuals and organizations within DoD. Further details are available on request.

Management Control Program

DoD Directive 5010.38, "Management Control Program," August 26, 1996, 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.

Scope of Review of the Management Control Program. At Fort Bragg and Fort Hood, we reviewed the adequacy of management controls over determining RDDs. Specifically, we reviewed management controls over selecting categories and periods of RDDs. Because we did not identify a material weakness, we did not assess the adequacy of management's self-evaluation.

Adequacy of Management Controls. The management controls we reviewed at the organizations we visited were adequate; we identified no material management control weakness.

Prior Coverage

During the last 5 years, the Inspector General, DoD, has issued two audit reports discussing issues related to RDD. Inspector General, DoD, reports can be accessed at http://www.dodig.osd.mil/.

Inspector General

Inspector General, DoD, Report No. 99-108, "Logistics Response Time for the Direct Vendor Delivery Process, Defense Supply Center, Richmond," March 17, 1999.

Inspector General, DoD, Report No. 99-101, "Logistics Response Time for the Direct Vendor Delivery Process, Defense Supply Center, Columbus," March 4, 1999.

Appendix B. Other Matters of Interest

DoD Supply System Responsiveness and Customer Processing of Requisitions

In our previous two audits of the direct vendor delivery process, personnel at the Defense supply centers at Columbus and Richmond informed us that they did not consider RDDs when processing requisitions. One of the reasons given was that often RDDs had expired by the time the Defense supply centers received requisitions. Personnel at the Office of the Assistant Deputy Under Secretary of Defense (Supply Chain Integration) requested that we review responsiveness of DSCP and TACOM to RDDs. We also reviewed timeliness of the supply system customers in preparing and forwarding their requisitions to the supply system.

We reviewed a judgmental sample of 51 requisitions filled by DSCP: 33 for medical items and 18 for clothing and textile items. We reviewed a judgmental sample of 55 requisitions for hardware items filled by TACOM. We also interviewed personnel at DPSC and TACOM. The DSCP medical judgmental sample did not include prime vendor transactions because orders were sent by the customer directly to the prime vendor without passing through DAASC. To review responsiveness of prime vendor arrangements to customer RDDs, we reviewed DSCP oversight of the program. Our objective was to determine how DSCP and TACOM handled RDDs. We also reviewed timeliness of requisition processing by customers of the supply system at Fort Bragg and Fort Hood.

Judgmental Samples of DoD Supply Organizations

We used judgmental techniques to select two judgmental samples of requisitions filled by DSCP and TACOM as providers of DoD supply services. We used the DSCP and TACOM judgmental samples to evaluate their responsiveness to Army customers of the DoD supply system. The samples were selected from requisitions issued by the Army in November 1998 and April 1999. The November 1998 requisitions were used to ensure selection of filled requisitions; the April 1999 requisitions were used to ensure availability of recent data. To ensure selection of sample items that reflected several testing conditions, we stratified the sampling universe into selection criteria for subsequent random sample selection, as shown in the following table. An example of a selection criterion, or testing condition, is a hardware requisition, with a Julian RDD and a PD of 01 through 05, that was delivered late. There were about 5,000 requisitions that met that selection criterion, from which we selected 23 for review. The DSCP sampling universe contained medical items (medical equipment and spare parts) and clothing items. The TACOM sampling universe contained hardware items (reparable and consumable hardware and spare parts).

Requisitions filled by the General Services Administration were excluded from the universe. The following table provides details about the two judgmental samples.

Judgmental Samples and Sampling Universe
(November 1998 and April 1999)

Selection Criteria				Sample		Sampling Universe	
Commodity	RDD	PD	Delivery	TACOM	DSCP	TACOM	DSCP
Hardware	Julian	01-05	Late	23		4,996	
Hardware	Julian	06-10	Late	2		1,578	
Hardware	Julian	11-15	Late	17		10,046	
Hardware	Other[1]	01-05	N/A[2]	13		7,421	
Medical	Julian	01-05	Late		24		1,025
Medical	Other[1]	01-05	N/A[2]		9		1,938
Clothing[3]	Julian	01-05	Late		6		2,801
Clothing[3]	Julian	11-15	Late		6		15,859
Clothing[3]	Other[1]	01-05	N/A[2]		6		1,774
Total				**55**	**51**	**24,041**	**23,397**

[1] Includes blank and coded RDDs.
[2] Data not readily available.
[3] Includes textile.

Defense Supply Center, Philadelphia

Management of Medical Items. DSCP was responsive to RDDs for items filled from stock and through direct vendor delivery. Prime vendor contracts managed by DSCP were used to fill about 76 percent (by value) of the medical requisitions in FY 1998. Under prime vendor contracts, vendors received requisitions from customers and filled the requisitions in about 1 day. Requisitions for the remaining 24 percent were filled through other sources, such as DSCP stock or direct vendor deliveries.

Of the 33 medical requisitions reviewed, 7 requisitions were for out-of-stock items that had to be procured through unplanned direct vendor delivery; 3 were for items not usually stocked by DSCP; and 2 were for requisitions that had to be cancelled because the customer's order was below the minimum order quantity. Unplanned direct vendor delivery usually takes longer than planned direct vendor delivery, because vendors have to be located and the full acquisition process has to be completed.

Management of Clothing and Textile Items. The clothing and textile requisitions filled from DSCP stock in FY 1998 represented about 80 percent of the total value of the requisitions; the remaining 20 percent was filled through

direct vendor delivery. In filling clothing and textile requisitions, the majority of which were filled from DSCP stock, DSCP personnel considered RDD. Of the 18 requisitions reviewed, 3 were delivered past the RDD because the items were out of stock and had to be procured through unplanned direct vendor delivery. Officials at DSCP explained that the clothing and textile items they buy are of a nature unique to DoD with a limited number of suppliers willing to negotiate rapid delivery terms. Our review of the database records of November 1998 clothing and textile requisitions filled by DSCP disclosed that of the approximately 20,000 requisitions with Julian RDDs, 11,000 requisitions were filled on or before the RDD and about 9,000 were filled past the RDD (the median was 14 days late). However, not meeting the RDD may not have been caused solely by DSCP, because there are other segments in the supply pipeline (see LMARS in Appendix C for an explanation of pipeline segments).

Tank-automotive and Armaments Command

TACOM processed requisitions for hardware items using criteria described in Army Regulation 725-50. That process considers the PD assigned to the requisition and coded RDDs (such as expedited overseas requisitions having coded RDD 999 or requisitions for an NMCS item having a coded RDD beginning with an N). However, item managers at TACOM could manually override the process. Of the 55 requisitions we reviewed, 43 requisitions were filled from stock, and 12 requisitions were filled through direct vendor delivery. Of the 43 requisitions filled from stock, 20 requisitions took longer than the UMMIPS time standard for TACOM processing (the median was 33 days late). According to TACOM officials, the causes for not meeting UMMIPS time standards included out-of-stock conditions and award delays. Our review of the database records of November 1998 requisitions disclosed that of the approximately 12,000 requisitions filled by TACOM, 8,000 were filled on or before the RDD and about 4,000 were filled past the RDD (the median again was 27 days late). However, not meeting the RDD may not have been caused solely by TACOM, because there are other segments in the supply pipeline.

Timeliness of Customer Processing of Requisitions

Supply personnel and their customers at Fort Bragg and Fort Hood generally had processed the requisitions in our judgmental sample in a timely manner. At Fort Bragg and Fort Hood, we reviewed timeliness both of requisition processing and of forwarding requisitions to DAASC. Our review of the 112 requisitions in the judgmental sample disclosed that Fort Bragg and For Hood took a day or less to convert a customer request into a requisition for 85 requisitions; the median was 3 days for 13 requisitions; and data was not available for the remaining 14 requisitions. For 97 requisitions, Fort Bragg and Fort Hood took less than a day to forward requisitions to DAASC; for 12 requisitions, the median was 4 days. Data was not available for the remaining three requisitions. UMMIPS time standards for requisition submission time are between half a day and 1 day. Requisition submission time is the elapsed time from the requisition date to the DAASC receipt date.

Appendix C. Glossary

AMMMIS. AMMMIS is a unique automated information system used by the Directorate of Logistics at Fort Hood. AMMMIS is interactive and on line, running on a Wang VS6000 platform. It interfaces with SARSS and other systems. One of the AMMMIS functions is calculating RDDs for requisitions based on the PD and the corresponding delivery time standard from Army Regulation 725-50.

Document Identifier Code. The document identifier code is a mandatory three-position alphanumeric code used in requisitions to identify the type of document submitted to the supply system. Although the main controlling factor in the document identifier code is the first position, the second and third positions also describe the document. For example, a document identifier code may indicate that the document submitted is a requisition, which may or may not result in changing inventory accountable records, and the items ordered are for a unit located overseas or in CONUS. Document identifier code A0 means the document is a requisition that results in a distribution decision that changes stock balances of the item requested. Document identifier code A0A also means the document is a requisition that results in a distribution decision that changes balances of the item requested, but the item is requested for a domestic shipment and has a national stock number or a North Atlantic Treaty Organization stock number. There are numerous combinations of document identifier codes.

FAD. FADs indicate the relative mission essentiality of a unit, organization, installation, project, or program. FADs are assigned by the Secretary of Defense, the Chairman of the Joint Chiefs of Staff, or the head of a DoD Component. FAD is identified using Roman numerals I through V, with FAD I being the most significant. The FAD levels and the three urgency of need levels are combined in a matrix that provides the UMMIPS 15 PDs. For example, FAD I and urgency of need A indicate a PD of 01; and FAD V and urgency of need C indicate a PD of 15.

LMARS. LMARS includes electronic performance data for 12 logistics pipeline segments. Those segments measure total order-to-receipt time for the procurement process. The 12 segments capture the time taken to fill requisitions, including requisition preparation by customers, and requisition processing by supply and transportation organizations. The 12 segments follow.

> **Segment 1, Requisition Submission Time:** the elapsed time from the requisition date to the DAASC receipt date.
>
> **Segment 2, Internal Service Processing Time:** the elapsed time from DAASC receipt of a requisition to its release to a wholesale Defense Supply Center.

Segment 3, Inventory Control Point Processing Time: the elapsed time from DAASC release of a requisition to a non-wholesale entity until the requisition is returned and re-released to a wholesale inventory control point.

Segment 4, Storage Activity Processing Time: the elapsed time from DAASC receipt of issue status to the date the materiel is shipped from the storage activity.

Segment 5, Storage Activity to Consolidation Containerization Point: the elapsed time from the date of shipment to the date of receipt at the consolidation containerization point.

Segment 6, Consolidation Containerization Point Activity Processing Time: the elapsed time from consolidation containerization point receipt date to consolidation containerization point shipped date.

Segment 7, CONUS In-Transit Time: the elapsed time from storage activity shipped date to CONUS customer receipt date. For overseas customers, it is either the elapsed time from storage activity shipped date to port of embarkation receipt date or consolidation containerization point shipped date to port of embarkation receipt date.

Segment 8, Port of Embarkation Activity Processing Time: the elapsed time from port of embarkation receipt date to port of embarkation shipped date.

Segment 9, Port of Embarkation to Port of Debarkation: the elapsed time from port of embarkation shipped date to port of debarkation receipt date.

Segment 10, Port of Debarkation Activity Processing Time: the elapsed time from port of debarkation receipt date to port of debarkation shipped date.

Segment 11, In-Theater In-Transit Time: the elapsed time from port of debarkation shipped date to overseas customer receipt date. If a commercial door-to-door carrier is used, it is the elapsed time from storage activity shipped date to overseas customer receipt date.

Segment 12, Receipt Take-Up Time: the elapsed time from CONUS/overseas customer receipt date to the receipt posting date.

NMCS. A not mission capable supply item is needed to repair a system or equipment that a unit needs to perform its assigned missions.

PD. An integral part of UMMIPS, the PD is a two-position numeric code (01 through 15) that identifies the relative priority of a requisition. The PD is used by the supply management systems to allocate available stocks among competing requisitions.

RDD. An RDD is entered in a three-position field and is used to identify the level of service (in terms of time) that a customer requires of the logistics system. The RDD specifies the allotted times that each element of the logistics system has to satisfy the service level required by the customer. Supply management systems use the RDD to determine the time standards that must be met or exceeded and allocate their resources accordingly.

SARSS. There are three levels of SARSS, all of which are interactive, real-time systems. SARSS-1 operates at the direct and general support level; SARSS-2A is for division, corps, and echelons above corps level; and SARSS-2B is used at corps and echelons above corps level. SARSS-1 interfaces with ULLS, DAASC, and SARSS-2A and -2B. At the SARSS-1 level, requests generated by ULLS customers become official requisitions and may be consolidated with other requests for the same item in one requisition when the request priority is low (PDs 12 through 15). SARSS forwards requisitions to the Army retail supply system or the DoD wholesale supply system. Generally, SARSS-1 maintains a history on a requisition for up to 90 days; SARRS-2A maintains a history for up to 2 years. Items ordered are delivered to and examined, on a limited basis, at the SARSS-1 location and picked up by the ULLS customers.

Secondary Items of Supply. A secondary item of supply is an item that is not defined as a principal item. Secondary items of supply include reparable components, subsystems, and assemblies; consumable repair parts; and subsistence and expendable end items, such as clothing and other personal gear.

ULLS. ULLS is an automated on line, interactive, microcomputer-based system that manages maintenance and supply information. It automates the maintenance and supply functions of unit-level motor pools and supply rooms. ULLS produces customer requests for supplies and has a field for RDD. Those requests are recorded onto computer disks and either hand-carried or electronically transmitted to SARSS-1, which is the link between the customer and the retail and wholesale supply systems.

UMMIPS. UMMIPS establishes time standards, based on the FAD and the urgency of need, for the supply of materiel from the time of origination of the requirement (date of the requisition) to the time that the acknowledgment of physical receipt is posted to the requisitioner's inventory record. The UMMIPS time standards are included in DoD Regulation 4140.1-R. UMMIPS has 15 PDs that, when combined with an RDD, define the transportation priority of customer requisitions. There are three transportation priorities in UMMIPS.

- Transportation priority one requires CONUS delivery in 3.5 days and overseas delivery in 8.5 to 11 days. It applies to PDs 01 through 03, regardless of RDD category.

- Transportation priority two requires CONUS delivery in 7 days and overseas delivery in 14 to 16 days. It applies to PDs 04 through 15 with coded RDDs of 444, 555, 777, N, and E and Julian RDDs of fewer than 8 days from the date of the requisition.

- Transportation priority three requires CONUS delivery in 16 days and overseas delivery in 44 to 78 days. It applies to PDs 04 through 15 with blank RDDs and Julian RDDs of more than 8 days from the date of the requisition.

Urgency of Need Designator. There are three levels of urgency of need (A, B, and C, with the highest being A). Urgency of need designators describe the effect on a unit's ability to perform its operational mission if a required item is not available to the unit. Urgency of need and FAD are used to determine the UMMIPS PD.

Appendix D. Database Analysis

Blank RDDs

About 24,000 of the 821,000 requisitions in the audit universe were forwarded to the wholesale supply system with blank RDDs, and not all 24,000 requisitions were lower priority requisitions as claimed by personnel at Fort Bragg and Fort Hood. Our examination of the database of Army requisitions issued in November 1998 and April 1999 disclosed that delivery of higher priority requisitions took longer than UMMIPS time standards, and the RDDs in some requisitions were invalid.

Delivery of Higher Priority Requisitions. Delivery of items ordered through requisitions with blank RDDs could have been delayed, because there was no RDD for the transportation system to meet. Army Regulation 725-50 states that requisitions with PDs 01 through 08 are processed by routine distribution and transportation time standards applicable to PDs 09 through 15 if they do not have a valid coded RDD, such as 999, N,[10] or E.[10] Table D-1 shows a comparison of actual delivery time with UMMIPS time standards in DoD Regulation 4140.1-R for requisitions with blank RDDs.

Table D-1. Comparison of Actual and Standard Delivery Time in Requisitions With Blank RDDs
(November 1998 and April 1999)

	No. of Requisitions	Median of Actual Delivery (days)	UMMIPS Standards (days)
PD 01-03	6,000	21	3.5
PD 04-08	7,000	2	16.0
PD 09-15	11,000	23	16.0
Total	**24,000**		

As shown in Table D-1, 6,000 of the 24,000 requisitions with blank RDDs were high priority requisitions (PDs 01 through 03) and filling those requisitions took significantly longer than the UMMIPS time standard.

Filling In the RDDs on Requisitions. Although the term "blank RDD" implies that nothing is in the RDD field, DAASC computers interpret invalid values in

[10] Followed by a number (01 through 99) to indicate the number of days until delivery is required.

that field as blank RDDs. About 9,000 requisitions included the values of "0" or "000" in the RDD field. Simplifying the RDD rules in the regulations and training customer personnel could minimize that problem.

Coded and Julian RDDs

Our analysis of database records for Army requisitions issued in November 1998 and April 1999 disclosed results that corroborate our observations at Fort Bragg and Fort Hood. Coded and Julian RDDs were not accurately determined, RDD format was not correct, and use of certain RDDs did not follow DoD and Army regulations.

Determination of Coded RDDs. Coded RDDs were not accurately determined. Examining the November 1998 and April 1999 requisitions, we identified a number of errors, including invalid coded RDDs, using codes that extended RDDs for requisitions with PDs 02 through 08, and not following the rules for using coded RDDs. The following examples illustrate the problems.

- About 9,000 requisitions used invalid coded RDDs by including only the letter N or E without specifying the number of days until the item was needed. Considering that a coded RDD starting with the letter N or E indicates expedited delivery (transportation priority two) of NMCS or anticipated NMCS items, the sense of expediency of the ordered items may have been lost as the required delivery days were omitted.

- About 3,000 requisitions used codes that extended the required delivery days for requisitions with PDs 02 through 08. The requisitions included coded RDDs beginning with N or E and having required delivery days of more than 50 days past the requisition date. About 2,000 of those 3,000 requisitions had 99 days in the coded RDD. Considering that a coded RDD starting with the letter N or E indicates expedited delivery (transportation priority two) of NMCS or anticipated NMCS items, using extended times (anything over 50 days) may diminish the sense of urgency of that RDD. DoD and Army regulations require using an extended RDD when the RDD exceeds the applicable UMMIPS time standard. The extended RDD code starts with the letter X or S. For example, the letter X, followed by two numbers, indicates the number of months to elapse before delivery is expected; however, delivery can be made any time before the RDD. The letter S is used to prohibit shipment prior to 50 days before the RDD. If items are not available, the supply system may delay initiation of the purchase of the item. It is also a contradiction within the DoD and the Army regulations in that they allow up to 99 days for the N and E types of coded RDD, but require using extended RDDs if required delivery days extend 50 days or more beyond the requisition date.

- About 90 requisitions with PDs 04 through 15 and about 1,400 requisitions for units stationed in CONUS included expedited

RDDs, which require overnight delivery. The coded RDD 999 is reserved for an NMCS item for units stationed overseas or units alerted for deployment to overseas locations within 30 days. According to DoD and Army regulations, only PDs 01 through 03 are eligible to use the coded RDD 999. Using that coded RDD inappropriately results in unnecessarily using costlier premium transportation means.

Determination of Julian RDDs. We examined all requisitions issued in November 1998 and April 1999 with Julian RDDs to review whether RDDs were accurately determined, then we focused on examining RDDs for the high priority requisitions.

Julian RDDs in All Requisitions. Julian RDDs were inaccurate. Julian RDDs preceded requisition dates and significantly varied from RDD time standards in Army Regulation 725-50. If responsiveness of the supply system is measured based on meeting RDD, an unjustifiably unfavorable performance could be shown when RDDs precede requisition dates. On the other hand, when RDDs are unreasonably extended beyond the UMMIPS time standards, an exaggerated favorable performance could be shown. For example, the 276,000 November 1998 requisitions with Julian RDDs were delivered 17 days (median) before RDDs; however, the range for delivery was between -362 and 169 days. That wide range indicates that a significant number of requisitions included RDDs that preceded the requisition date, or far exceeded the UMMIPS time standards. Table D-2 shows pertinent statistics for November 1998 and April 1999 requisitions.

Table D-2. Inaccurate Julian RDDs

Condition	Number of Requisitions		
	November 1998	April 1999	Total
RDD preceded earliest requisition date		33,000	33,000
RDD exceeded Army time standards	11,000	16,000	27,000
Other conditions	265,000	321,000	586,000
Total	**276,000**	**370,000**	**646,000**

RDDs Preceded Earliest Requisition Date. The earliest possible requisition date in April 1999 was the first day of the month, or a Julian date of 091; therefore, a Julian RDD earlier than 091 would precede the requisition date. For about 33,000 April requisitions with Julian RDDs that preceded April 1, 1999, the range was from 1 day to 90 days. About 6,000 of the 33,000 requisition had a Julian RDD of 001. A Julian date of 001 would be

unreasonable as it precedes the requisition date. If the Julian RDD of 001 was meant to be in calendar year 2000, that would mean the required delivery time was 245 days (assuming the requisition was issued the last day of April 1999), which would also be unreasonable.

RDDs Exceeded Army Time Standards. Using the April 1999 requisitions as an example, the RDDs were after the Julian date of 195. A Julian date of 195 was derived by adding 75 days (the midpoint for the maximum allowable RDD time standards for overseas delivery according to Army Regulation 725-50) to April 30, 1999 (the date of the last possible requisition in April 1999). For about 27,000 November and April requisitions with Julian RDDs that exceeded Army time standards, the range for the RDDs above the 195 Julian date was between 196 and 366, and the median was 200. Considering that CONUS requisitions represented about 68 percent of the total requisitions and CONUS delivery time standard is between 3.5 and 16 days, RDDs exceeding Army Regulation 725-50 time standards were significant and may have required using extended RDDs if customers had intended to request long delivery times. About 600 of those 27,000 requisitions had an RDD of 366, which could have been caused by a misunderstanding or a lack of clarity of the ULLS guidance. ULLS guidance tells the user that if the request is not for an NMCS or anticipated NMCS item, the RDD may be 001 through 366 (without stating that 366 is to be used only in leap years).

Julian RDDs in High Priority Requisitions. RDDs in high priority requisitions were inaccurate and far exceeded delivery time standards in DoD and Army regulations. Table D-3 shows the requested delivery period in the requisitions and the corresponding time standards according to DoD and Army regulations.

Table D-3. Delivery of High Priority Requisitions With Julian RDDs

	November 1998		April 1999		Delivery Standards	
PD	No. of Records	Requested Delivery Period[1] (days)	No. of Records	Requested Delivery Period[1] (days)	DoD 4140-R (days)	AR[2] 725-50 (days)
01	9	58-144	100	(119)- 40	3.5	7-12
02	3,000	32-422	3,000	(119)-269	3.5	7-12
03	800	32-422	800	(118)-270	3.5	7-12

[1]Range (Requested Delivery Period = RDD minus Requisition Date).
[2]Army Regulation.

In November 1998 and April 1999, about 7,700 of the approximately 67,000 Julian RDD requisitions with PDs 01 through 03 had inaccurate RDDs. RDDs far exceeded delivery time standards for those high priority requisitions,

or the RDDs preceded the requisition date. DoD and Army regulations require using an extended RDD when the RDD exceeds the applicable UMMIPS time standard. The negative lower end of the ranges in April 1999 indicates that the RDDs preceded the requisition date, which causes the Defense supply centers to doubt the reasonableness and importance of the RDDs assigned to those high priority requisitions.

Appendix E. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)
  Deputy Chief Financial Officer
  Deputy Comptroller (Program/Budget)
Deputy Under Secretary of Defense (Logistics)
  Assistant Deputy Under Secretary of Defense (Supply Chain Integration)
Director, Defense Logistics Studies Information Exchange

Joint Staff

Director, Joint Staff

Department of the Army

Commander, U.S. Army Forces Command
Deputy Chief of Staff for Logistics
Auditor General, Department of the Army

Department of the Navy

Naval Inspector General
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

Unified Command

Commander in Chief, U.S. Transportation Command

Other Defense Organizations

Director, Defense Contract Audit Agency
Director, Defense Logistics Agency
Director, National Security Agency
  Inspector General, National Security Agency
Inspector General, Defense Intelligence Agency

Non-Defense Federal Organizations

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

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

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 Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on Government Management, Information, and Technology, Committee on Government Reform
House Subcommittee on National Security, Veterans Affairs, and International Relations, Committee on Government Reform

Deputy Under Secretary of Defense (Logistics) Comments

Final Report Reference

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON DC 20301-3000

ACQUISITION AND TECHNOLOGY

(L/SCI)

FEB 25 2000

MEMORANDUM FOR DIRECTOR, READINESS AND SUPPORT DIRECTORATE, INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Audit Report on Required Delivery Dates in Requisitions for Secondary Items of Supply Inventory (Project No. 9LH-5045)

In your memorandum of January 14, 2000, you requested my comments on your draft audit report on the use of Required Delivery Dates (RDDs) in requisitions for secondary items. I partially concur with the draft report There are four issues that need to be addressed in response to your draft.

First, I can only tentatively concur in your recommendation to eliminate all entries in the RDD field that are not either Julian dates or extended dates There are several reasons that the customers were authorized to insert coded entries in the RDD fields of their requisitions One such reason was to allow the customer to inform the logistics system that the requisitioned item is necessary to restore a non-mission capable weapon system to full operating capability. Identification of non-mission capable status increases the requisition's processing priority The sequence in which demands are processed may become critical when limited resources are available. A requisition reflecting a "non-mission capable for supply" status receives expedited materiel allocation and shipment processing. I cannot simply eliminate such a tool from the customers' repertoire without the concurrence of the Military Departments and the Defense Logistics Agency If they have sound rationale for rejecting your recommendation, then I expect to support them.

Second, the draft report mentions the fact that Army customers are not informed when the RDDs that they have entered on their requisitions have been changed by the Defense Automatic Addressing System Center in response to Army direction. I believe that your recommendations need to be expanded to provide for the Defense Logistics Agency and the Army to provide timely notification to the customers in circumstances under which the change extends the RDD beyond the published standard

Added Recommendation B.2.b.

Final Report Reference

Clarified on pages 7, 17, and 29

Third, in several instances, the draft report indicates that a shipment of requisitioned materiel failed to arrive by the times in the Uniform Materiel Movement and Issue Priority System (UMMIPS) standards because it was backordered or purchased from a contractor under an unplanned direct vendor delivery arrangement. UMMIPS standards do not apply to backorders or to unplanned direct vendor deliveries, so comparing the overall elapsed order-to-receipt time on such requisitions and shipments to UMMIPS standards is not a valid comparison.

See Audit Response on page 12

Fourth, although I concur with the finding that the RDD is not currently a useful measure of supply chain performance, I do not support the draft report's conclusions regarding blank RDDs. An intentionally blank RDD field is in full compliance with current regulations and should not be construed in a negative context. Until such time as the rules are modified, emphasis should be on guidance which clarifies the use of RDDs and enforces Uniform Materiel Movement and Issue Procedures standards. In accordance with the current regulations and standards, one would expect the vast majority of requisitions to have intentionally blank RDDs so that distribution depots may rely on routine processing in accordance with established timeframes. Only the exceptions requiring expedited or delayed processing should include dates or coded RDDs.

Those issues, along with other suggestions intended to improve the accuracy of the draft report, are reflected in the attachment to this memorandum.

for Roger W. Kallock
Deputy Under Secretary of Defense
(Logistics)

Attachment

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DEPUTY UNDER SECRETARY OF DEFENSE (LOGISTICS) COMMENTS ON AUDIT REPORT ON REQUIRED DELIVERY DATES IN REQUISITIONS FOR SECONDARY ITEMS OF SUPPLY INVENTORY (PROJECT NO. 9LH-5045)

1. Page 3, first bullet. Revise the second sentence to read as follows:

   "If the customer's priority designator (a number from 1 to 15) adequately describes the processing precedence, UMMIPS time standards are used to derive standard delivery dates "

   RATIONALE: The additional clause helps to clarify how time standards are established when the customer elects to leave the Required Delivery Date field blank on a requisition and rely on the priority designator alone.

   Management Comments not clear

2. Page 3, second bullet. Insert the following sentence between the third and fourth sentence of the current bulleted item:

   "The N (Not Mission Capable Supply) and the E (Anticipated Not Mission Capable Supply) may stand alone (with the following two record positions of the requisition left blank), or the customer may indicate,in the following two record positions, the number of days from the requisition date before the Not Mission Capable Supply or Anticipated Not Mission Capable Supply condition will be reached."

   RATIONALE: The additional sentence helps to explain the manner in which the current rules allow the customer to communicate the urgency of a requirement when completing the entries in the RDD field of a requisition.

3. Page 4, first bullet. Revise the first sentence to read as follows:

   "An extended RDD is used when the customer does not need the requisitioned item within UMMIPS time standards and may even want to preclude delivery of the item before a certain time."

   RATIONALE: The sentence in the draft report states that an extended Required Delivery Date (RDD) is used when the RDD "exceeds" UMMIPS standards The ordinary meaning of "exceeds" would suggest that the customer needs the item in less time than the UMMIPS standards allow. However, the intent behind authorizing an extended RDD is to provide for the opposite situation, namely one in which the customer does

   Page 3

   Clarified

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not require the item until after the time allowed by the UMMIPS standards has already passed.

4. Page 4, After the second bullet, insert the following statement as part of the main paragraph:

"In addition, the data requirements for the record positions normally occupied by the RDD provide additional functionality including, but not limited to, the Required Availability Date for Security Assistance customers and the Required Delivery Period for ammunition."

RATIONALE: The additional information helps to show the reader the various uses that are currently being made of the Required Delivery Date field on customer requisitions.

Mentioned in Audit Scope on page 22

5. Page 5, first paragraph under the heading "DoD and Army Regulations," revise the first sentence to read as follows:

". May 1998; DoD 4000.25-1-M, 'Military Standard Requisitioning and Issue Procedures,' May 1987; and Army."

RATIONALE: The Military Standard Requisitioning and Issue Procedures Manual contains many of the DoD-level instructions regarding how customers are to assign required delivery dates to their requisitions for secondary items. As such, it is essential that this document be identified as a source of information and be included within the scope of any recommendation for clarification of those instructions.

Clarified

6. Page 5, first bulleted item under the heading "DoD and Army Regulations," revised the item to read as follows:

"...expected from the supply, distribution and transportation components of the logistics system by..."

RATIONALE: Clarity. The DoD logistics system does not maintain a "supply transportation" system per se, and the RDD is intended to apply to distribution processes.

Assumed page 7 intended, not page 5

7. Page 5, second sentence of second full paragraph. This sentence is potentially very misleading It suggests that the median number of days for delivery of 25 percent of the high priority requisitions was 21 days and they should have been delivered within 3.5 days under the applicable UMMIPS standard. Without reviewing the actual transactions involved

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it is not possible to determine whether the UMMIPS standard applied to all of those requisitions or not.

RATIONALE: The UMMIPS standards only apply to requisitions for items that are in stock when the requisitions arrives at an inventory control point or items which a vendor is expected to stock for the Department of Defense under a direct vendor delivery arrangement There is no UMMIPS standard applicable to backordered items, and a review of the actual transactions involved would be necessary to determine the extent to which backordered items or unplanned direct vendor deliveries were included in the 6,000 requisitions that were filled in a median time of 21 days. — Clarified

8 Page 9, In the first paragraph under the heading "Rules for Composing RDDs," revise the third sentence to read as follows: — Clarified

"..DoD supply, distribution, and transportation..."

RATIONALE: Distribution systems use RDDs, and RDDs are just as important in distribution systems as they are in supply and transportation systems.

9. Page 10, Paragraph with heading "Customer Wait Time " Revise the third and fourth sentences to read as follows:

"There are similarities among customer wait time, RDD and the UMMIPS standards in that all three deal with response time Proper alignment of those three factors may impact."

RATIONALE: Accuracy. Customer wait time, required delivery dates, and the Uniform Materiel Movement and Issue Priority System standards are related to one another, but they are not necessarily similar. Getting them to work together for the benefit of the customer is one of the ways that the DoD can use required delivery dates more effectively in the future.

10. Page 11, In the paragraph with the heading "Inter-Service Requisitioning Equity, make the following changes. In the first sentence, insert the words "in which" between the word "manner" and the acronym "FADs." In the final sentence, insert the words "use of" between the article "the" and the acronym "RDD," add a lower case "s" to the acronym RDD, and delete the word "system" from the end of the sentence. — Clarified

RATIONALE: Editorial

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Clarified

11. Page 11, In the summary paragraph revise the final sentence to read as follows:

" .Plan and the efforts of the Deputy Under Secretary of Defense (Logistics) and the Director of Logistics, Joint Staff, to improve ."

RATIONALE: Accuracy The improved criteria of the assignment of Force Activity Designators, and the improvement of processes under which the assignment of Force Activity Designators is managed are a result of efforts by both the Deputy Under Secretary of Defense (Logistics) and the Director of Logistics, Joint Staff.

12 Page 12, Recommendation A.1. Tentatively concur

RATIONALE: Implementation of this recommendation entails eliminating the use of the coded RDDs that are now authorized in the DoD Materiel Management Regulation and the Military Standard Requisitioning and Issue Procedures Manual. Those codes were authorized so that customer activities could indicate, among other things, the fact that a particular requisition was submitted in support of a requirement to repair a weapon system that was not mission capable due to the lack of the part being requisitioned. Because requisitioners are still constrained by systems that require the use of the 80-card column format, customers may lack other means of providing such critical information on the face of their requisitions.

Amending two publications identified in the previous paragraph would require the concurrence of the Military Services. In the event that the Services provided compelling justification for retention of the authorization to use coding in the RDD field on their requisitions, I would support them.

Added Recommendation B.2 b.

13. Page 12, Recommendation A.2 Recommend that you add a fourth subpart to this recommendation as follows:

"d. Ensure that customers are notified when the RDDs that they have identified in their requisitions have been changed as a result of Army instructions to the Defense Automatic Addressing System Center and those changes result in the assignment of a required delivery date that extends beyond UMMIPS time standards."

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RATIONALE: The Executive Summary to the draft audit report indicates that the Defense Automatic Addressing System Center filled in blank RDD fields on certain requisitions but did not notify Army customers that their requisitions had been altered. It would be appropriate for Army to make arrangements for its customers to receive such notification either directly from the Defense Automatic Addressing System Center or through Army systems. The customer ought to be provided with relevant information concerning when requisitioned materiel can be expected to arrive.

14. Page 14, Paragraph with heading "Rationale for Instructions and Time Standards Used." Revise the first sentence to read as follows: — Page 17

"...when an RDD is not used and the item has neither been backordered nor purchased under an unplanned direct vendor delivery arrangement."

RATIONALE: The UMMIPS standards apply solely to situations in which the requisitioned item is in stock when the customer's requisition arrives at the applicable Inventory Control Point or a contract is in effect requiring a vendor to stock the item and ship it to the customer under a planned direct vendor delivery arrangement. There are no time standards in effect for backordered items or for unplanned direct vendor delivery arrangements. — Clarified

15. Page 16, Recommendations. Include the following as an additional recommendation: — Added Recommendation B.2.b.

"B.3. We recommend that the Director, Defense Logistics Agency and the Army Deputy Chief of Staff for Logistics make the necessary system changes to ensure that customers are notified when the RDDs that they have identified in their requisitions have been changed as a result of Army instructions to the Defense Automatic Addressing System Center."

RATIONALE: Same as the rationale for change number 10 above.

16. Page 24, Paragraph with heading "Management of Clothing and Textile Items." Insert the following sentence between the second and third sentences of the paragraph in the draft audit report — Page 28

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	"However, UMMIPS time standards do not apply to Inventory Control Point processing time for items that are out of stock or those that are procured through unplanned direct vendor delivery arrangements."
Clarified	RATIONALE: Accuracy. Paragraph AP8.1 1. of the DoD Materiel Management Regulation states "The UMMIPS time standards presented in this Appendix are defined as "the maximum amount of time that should elapse during any given pipeline segment for items that are in stock or for items that are processed as part of direct vendor deliveries." To apply UMMIPS time standards to the purchase of items that are out of stock or are procured under unplanned direct vendor delivery arrangements is to use them time standards for a purpose for which they were never intended
Page 29	17. Page 24, Paragraph with heading "Tank-automotive and Armaments Command." Insert the following sentence between the sixth and seventh sentences of the paragraph in the draft audit report:
Clarified	"However, UMMIPS time standards do not apply to Inventory Control Point processing time for items that are out of stock "
	RATIONALE: Essentially the same as the rationale for comment number 13 above.
Page 30	18. Page 26, Paragraph with heading "Segment 2, DAASC Initial Processing Time." Revise to read as follows:
	"Segment 2, Internal Service Processing Time. Such processing as by Navy Fleet Industrial Support Centers, is calculated from when DAASC releases a requisition to a non-wholesale entity until it is returned and re-released to a wholesale Inventory Control Point."
Changed	RATIONALE: Current Logistics Metrics Analysis Reporting System business rules no longer define segment 2 as the measurement of DAASC initial processing time, but provide for the calculation of this internal Service processing time instead.
Assumed draft page 27 not 25 intended, now on page 31	19. Page 25, Paragraph with heading "Segment 3, Defense Supply Center Processing Time " Replace the words "Defense Supply Center" with the words "Inventory Control Point."

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Revised

RATIONALE: Accuracy

20. Page 28, Definition for RDD. Replace the first two sentences of the definition with the following definition extracted from DoD 4000.25-1-M, "Military Standard Requisitioning and Issue Procedures (MILSTRIP) " "The required delivery date is a three position numerical day of the year which specifies when materiel is actually required to be delivered to the requisitioner, and is always earlier or later than the computed standard delivery date (SDD). An RDD cannot exactly equal a computed SDD." Correct the last sentence of the definition by inserting "or SDD" as follows: "Supply management systems use the RDD or SDD to determine the time standards that must be met or exceeded and allocate their resources accordingly "

    RATIONALE: Accuracy. The definition used in the draft report is taken from DoD 4140.1-R, "DoD Material Management Regulation." However, it allows the reader to misinterpret the meaning and use of the RDD. The definition provided in the Military Standard Requisitioning and Issue Procedures Manual more accurately reflects current procedures for use of the RDD.

21. Page 31, first bullet. Delete the entire bulleted item

    RATIONALE: Accuracy The bulleted item is inaccurate because it is based upon a misunderstanding of the rules for coded RDDs. The use of coded RDDs, including only the letters N or E, is a valid entry under MILSTRIP. The number of days is not required. See comment number 2 above.

Defense Logistics Agency Comments

DEFENSE LOGISTICS AGENCY
DEFENSE LOGISTICS SUPPORT COMMAND
8725 JOHN J KINGMAN ROAD, SUITE 2533
FORT BELVOIR, VIRGINIA 22060-6221

IN REPLY REFER TO DLSC

MAR 1 0 2000

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE
ATTN: Director, Readiness and Logistics Support Directorate

SUBJECT: DoDIG DRAFT REPORT on Required Delivery Dates in Requisitions for Secondary Items of Supply Inventory (Project No. 9LH-5045)

Attached are DLSC's comments on findings A and B and recommendations A 1 and B 1 of the subject report If you have any questions, please contact Ms. Mimi Schirmacher, DDAI, (703) 767-6263 or Ms. Wendy McKinney, DLSC, (703) 767-1591.

D. H STONE
Rear Admiral, SC, USN
Commander

Attachment

Federal Recycling Program Printed on Recycled Paper

SUBJECT: Required Delivery Dates in Requisitions for Secondary Items of Supply Inventory (Project No 9LH-5045)

FINDING A: Army Use of Required Delivery Dates. Customer RDDs could not be used as a measure of order fulfillment, and the Army process to determine and use RDDs needed improvement Of the 821,000 requisitions in the audit universe, at least 24,000 requisitions had a blank RDD field. For the RDD fields that were filled in, coded and Julian date RDDs were used incorrectly for about 72,000 of the 821,000 requisitions. RDDs were not appropriately determined and used because DoD and the Army had not clarified the need for using RDDs and had not simplified the process for determining the proper RDD to use. As a result, RDD currently is not a useful measure of supply chain performance.

DLA COMMENTS: Partially Concur. In our estimation, DoD adoption of the "'Perfect Order Fulfillment" and "Customer Wait Time" metrics would be enhanced by using time definite delivery standards (standard delivery dates) correlated to the requisition's Priority Designator (PD) in lieu of depending on customer Required Delivery Date (RDD) entries This is a simple, straight forward approach of correlating the three existing Issue Priority Groups (IPGs) to the three existing Transportation Priorities (TPs) and linking them to three Time Definite Standards/Standard Delivery Dates. While we do not fully concur in the audit's interpretation of current RDD policy or the assessment relative to correct and incorrect uses of RDDs, we do believe that moving to a new metric that measures delivery against compliant entry of RDDs by 30-50 thousand distinct customers would be an arduous task at best

During the 1990s, complexity relative to the application of RDDs increased when DoD attempted to separate the priority of a requisition from how fast it moves through the pipeline, i e , have the PD be the main determining factor relative to the order asset allocation decision, but allow the RDD entry to be the determining factor relative to the order delivery timeframe. Prior to this, the priority determined both the asset allocation decision and the standard delivery timeframe Only one decision was required by the customer. In the interim, the Uniform Materiel Movement and Issue Priority System (UMMIPS) has been revised twice to reflect the new concept/policy. Under the first revision, the requisition priority was nearly completely divorced from the delivery timeframe decision, i.e , the highest priority requisitions for asset allocation decisions (PD-01) could be coded for routine movement to the customer via the RDD entry Leaving the RDD blank would guarantee such routine movement. The second and current change is a combination of the two previous systems. Under this revision, IPG I requisitions move under Transportation Priority 1 regardless of any RDD entry while IPG II and III requisitions require an acceptable RDD entry to move under Transportation Priority 2. IPG II and III requisitions with RDD entries not qualifying for Transportation Priority II (inclusive of blank RDDs) move in a routine manner under Transportation Priority 3.

The new concept is more complicated as it requires the customer to make two decisions when previously only one decision was required It also presents somewhat of a paradox as

it allows for selecting an RDD entry that on the surface at least appears to be in conflict, or at least incongruent with the priority designator selected for the requisition. In this regard, part of the decision process required in selecting the requisition's PD is for the customer to determine the associated urgency of need. Under the current UMMIPS scheme, the customer can assign an RDD indicating routine handling required while assigning a PD to the requisition indicating that without the ordered materiel the activity cannot meet its mission or its mission will be impaired.

We believe requiring RDDs on all requisitions could easily delay and complicate implementing the metrics of customer wait time and perfect order fulfillment Any benefits could easily be delayed and diluted pursuing uniformity of implementation. Returning to a system under which a customer needs to make only one decision to determine both the importance of his order and the associated delivery timeframe could easily serve the new metrics best.

ACTION OFFICER: Robert M. Vitko, DLSC-LS, (703) 767-1601
REVIEW: Doug French, DLSC-LS, (703) 767-1552 and Walter B Bergmann, II, Executive Director, Logistics Management (DLSC-L)

DLA APPROVAL: Bennie E Williams, COL(P), USA, Chief of Staff, Defense Logistics Support Command *for* D H Stone, RADM, SC, USN, Commander, Defense Logistics Support Command

RECOMMENDATION A.1.: Recommend that the Assistant Deputy Under Secretary of Defense (Supply Chain Integration), in coordination with the Services and the Defense Logistics Agency, streamline and simplify the rules for using required delivery dates by limiting required delivery date categories used to Julian and extended

DLA COMMENTS: Nonconcur. Limiting the required delivery date categories as recommended would eliminate coded RDD entries employed today. This audit has not made a case for these codes being unnecessary nor does it offer how the functionality of these codes would be conveyed under a Julian date format The coded RDDs referred to are inclusive of Expedited Handling Signal "999" and Not Mission Capable Supply codes "N" and "E". These and other codes are precedent indicating codes employed when certain extraordinary conditions exist. They are used in allocation decisions when assets are not available to fill all requisitions As such, their use goes beyond the determination of a delivery date. Further, this recommendation and audit does not consider the new Defense Logistics Management Standard ANSI X.12 "511" requisition transaction format which (1) has established separate data segments for the current precedent code RDD information and for the calendar date RDD information and (2) uses a YYMMDD date configuration vice a Julian date configuration. The current procedure of using the RDD field for both precedence codes and Julian dates is a result of the constraints of an 80 record position requisition format.

DISPOSITION: Action is complete

ACTION OFFICER: Robert M Vitko, DLSC-LS, (703) 767-1601
REVIEW: Doug French, DLSC-LS, (703) 767-1552 and Walter B Bergmann, II, Executive Director, Logistics Management (DLSC-L)

DLA APPROVAL: Bennie E. Williams, COL(P), USA, Chief of Staff, Defense Logistics Support Command *for* D. H Stone, RADM, SC, USN, Commander, Defense Logistics Support Command

FINDING B: Defense Automatic Addressing System Center and Army Processing of Required Delivery Dates. DAASC and the Army did not fully edit requisitions to identify inaccurate or invalid RDDs Further, at the request of the Army, DAASC filled in blank RDD fields on certain requisitions but did not inform Army supply customers that their requisitions were being altered. DAASC and the Army did not edit RDDs for accuracy and validity because DoD guidance does not require them to do so. As a result, requisitions with inaccurate, invalid, or altered RDDs remained in the supply system with RDDs that might not correspond to customers' requirements

DLA COMMENTS: Partially Concur. Although DAASC is a DLA Field Activity, the procedures that govern its operation allow for each Service to independently establish special processing rules and edits to be applied against their Services' requisitions as they flow from their retail systems through DAAS to the appropriate Service or Agency wholesale system In this regard, the DAASC edit performed on the RDD field in Army requisitions was directed by the DCSLOG of the Army and the Army Materiel Command It is the responsibility of the Army to disseminate information regarding this edit or direct that DAASC generate status to the customer Additionally, the description of the Army directed edit in the audit is not correct. The DAASC edit is not limited to CONUS requisitions The edit is applied to both CONUS and Overseas requisitions when the requisitioner's activity address code begins with Service code "W" and there are blanks in RDD field

ACTION OFFICER: Robert M Vitko, DLSC-LS, (703) 767-1601
REVIEW: Doug French, DLSC-LS, (703) 767-1552 and Walter B. Bergmann, II, Executive Director, Logistics Management (DLSC-L)

COORDINATION: DAASC-SLS, William Strickler

DLA APPROVAL: Bennie E. Williams, COL(P), USA, Chief of Staff, Defense Logistics Support Command *for* D. H Stone, RADM, SC, USN, Commander, Defense Logistics Support Command

RECOMMENDATION B.1.: Recommend that the Director, Defense Logistics Agency, after the required delivery date rules have been simplified as discussed in Recommendation A.1 , develop and implement a system of automated edit of the required delivery date field in requisitions

DLA COMMENTS: Partially concur Regardless of whether or not there is a specific requirement for a DAASC edit on RDDs, DoD 4000.25-1-M Military Standard Requisition and Issue Procedures (MILSTRIP), Chapter 3, requires an edit be performed by supply sources relative to allowable RDD entries DLA Defense Supply Centers apply these prescribed MILSTRIP edits for allowable RDD entries in their automated information systems when processing requisitions Although we nonconcur with recommendation A 1 , we recommend the Assistant Deputy Under Secretary of Defense (Supply Chain Integration) request the Defense Logistics Management Standards Office (DLMSO), in conjunction with the Supply Process Review Committee (SPRC), review the current RDD instructions in MILSTRIP to ensure clarity of direction and consistency between MILSTRIP and the DoD Materiel Management Regulation (DoD 4140 1-R). Additionally, we recommend the SPRC review the current edit to determine if additional edits are necessary and determine if DAAS, as well as supply sources, should employ these edits

DISPOSITION: Action is complete.

ACTION OFFICER: Robert M Vitko, DLSC-LS, (703) 767-1601
REVIEW: Doug French, DLSC-LS, (703) 767-1552 and Walter B. Bergmann, II, Executive Director, Logistics Management (DLSC-L)

COORDINATION: DLMSO, James A Johnson, Director

DLA APPROVAL: Bennie E. Williams, COL(P), USA, Chief of Staff, Defense Logistics Support Command *for* D H Stone, RADM, SC, USN, Commander, Defense Logistics Support Command

Department of the Army Comments

DEPARTMENT OF THE ARMY
OFFICE OF THE DEPUTY CHIEF OF STAFF FOR LOGISTICS
500 ARMY PENTAGON
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DALO-SMP

MEMORANDUM THRU

DEPUTY ~~CHIEF~~ OF STAFF FOR LOGISTICS

~~DIRECTOR OF THE ARMY STAFF~~ ARVEL J. EDENS, JR., LTC, GS, DDECC

FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE (AUDITING)

SUBJECT: Audit Report on Required Delivery Dates in Requisitions for Secondary Items of Supply Inventory (Report No. 9LH-5045)--INFORMATION MEMORANDUM

1. This is in response to USAAA memorandum of 21 Jan 00 (Tab A), requesting ODCSLOG to respond to your memorandum of 14 Jan 00 (Encl to Tab A), which requested that ODCSLOG review subject audit and provide comments and corrective actions to be taken.

2. The Army's response to subject audit is at Tab B.

2 Encls

DONNA L. SHANDS
Acting Director of
Supply and Maintenance

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Comments on DoD Audit Report
Required Delivery Dates in Requisitions for Secondary Items of Supply Inventory (Project No. 9LH-5045)

1. Recommendation A.1: That the Assistant Deputy Under Secretary of Defense (Supply Chain Integration), in coordination with the Services and the Defense Logistics Agency, streamline and simplify the rules for using required delivery dates by limiting required delivery date categories used to Julian and extended.

Comment: Concur. ODCSLOG will participate in any efforts to review the required delivery date process.

2. Recommendation A.2.a: That ODCSLOG issue guidance to Army Major Commands to emphasize the importance of the proper use of required delivery dates.

Comment: Concur. Army will issue guidance via a Power Projection Message and/or present this topic at the ODCSLOG Global VTC held quarterly.

3. Recommendation A.2.b: Streamline and simplify the rules for using required delivery dates, based on the results of Recommendation A.1.

Comment: Concur. Army will work with DoD to streamline and simplify the process and will then implement.

4. Recommendation A.2.c: Provide appropriate required delivery date training.

Comment: Concur. Army will task the Quartermaster School to update current unit-level training packages and reemphasize the proper use of required delivery dates. Additionally, the Army will publish articles in appropriate Army publications (i.e., PM Magazine).

5. Recommendation B.1: That the Director, Defense Logistics Agency, after the required delivery date rules have been simplified as discussed in Recommendation A.1, develop and

implement a system of automated edit of the required delivery date field in requisitions.

Comment: - Concur

6. Recommendation B.2: That the Army Deputy Chief of Staff for Logistics, after the required delivery date rules have been simplified as discussed in Recommendations A.1. and A.2., make system changes to the Unit Level Logistics System or the Standard Army Retail Supply System to edit the required delivery date field in requisitions.

Comments:

a. Army does not believe that it is necessary to edit required delivery dates; however, if DLA does take steps to develop edits, then we request DLA coordinate system changes with Services if requisition is to be modified.

b. If rules are changed, then we will assess system changes and will become compliant.

Audit Team Members

The Readiness and Logistics Support Directorate, Office of the Assistant Inspector General for Auditing, DoD, prepared this report. Personnel of the Office of the Inspector General, DoD, who contributed to the report are listed below.

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